

**Western Cape Government
Provincial Treasury**

**Medium Term Budget
Policy Statement**

2014 - 2017

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Foreword

The 2014 Western Cape Medium Term Budget Policy Statement (WC MTBPS) reaffirms our commitment to giving effect to the policy priorities outlined in the National Development Plan (NDP), the OneCape 2040 vision and the Provincial Strategic Objectives, which include, amongst others, building a resilient, inclusive and competitive Western Cape with higher rates of employment producing growing incomes, greater equality and a better quality of life. We have already translated our vision and policies into plans and have begun to put them into action. Our “Vision in Action” will continue to be implemented over the medium term.

The overall objectives of the WC MTBPS, as expressed in the programmes of the Western Cape Government, include:

- **Promoting economic growth** through improving public infrastructure delivery, improving the competitiveness of the agriculture sector and other growth sectors, specifically positioning the Western Cape as a Green economy hub;
- **Increasing employment and decreasing unemployment** through skills development, public employment programmes and promoting an entrepreneurial culture;
- **Reducing poverty, crime and other social ills** and promoting social inclusion through developing sustainable human settlements, regional socio-economic development and violence prevention programmes, road safety, and early childhood and youth development; and
- **Improving the quality of education and health** through a focus on literacy and numeracy and the quality of matric passes, keeping learners in school, and addressing the quality of health care and focusing on disease prevention and promoting healthy lifestyles.

Given the constrained economic and fiscal environment, Government is reinforcing its commitment to spending in an efficient and effective manner and curtailing growth in public expenditure to affordable and sustainable levels. This implies that rather than increasing expenditure levels, that Government use available resources better.

Our efforts stand a greater chance of achieving success if all the Western Cape Government initiatives are supported by active citizen participation and partnerships with local and national government, the private sector, labour and civil society. We will also continue to focus on good governance in line with our quest to become the best-run regional government in the world. Partnerships and good governance are the surest ways to better service delivery.



Alan Winde

Minister of Finance, Economic Development and Tourism

21 November 2013

Contents

Chapter 1	Economic overview	1
	Introduction	1
	Developments in the global economy	2
	Medium term economic outlook for South Africa	2
	Performance and outlook for the Western Cape economy	4
	Labour market trends	8
	Conclusion with implications for budget policy	13
Chapter 2	Vision in Action	15
	Introduction	15
	National and provincial policy environment	16
	2014 MTEF provincial budget policy priorities	19
	Conclusion	52
Chapter 3	The resource envelope and financing issues	53
	Provisional Fiscal Framework	54
	Provincial own receipts	58
	Conclusion and impact on services	62
Chapter 4	Expenditure and infrastructure	65
	Introduction	65
	Corporate Governance Framework	66
	Provincial Government Expenditure	66
	2012/13 Expenditure outcomes and 2013 Adjusted Estimates	68
	2013 Adjusted Budget	68
	Conclusion	77
Glossary		79

Tables

Chapter 1: Economic overview	1
1.1 World economic outlook 2013 – 2014	2
1.2 Macroeconomic projections, 2012 - 2016	4
1.3 Western Cape economic outlook (year-on-year percentage change), 2013 - 2018	7
1.4 Labour Market Aggregates, 2008 and 2013	8
1.5 Recent Labour Market Trends, 2012Q3 to 2013Q3	10
1.6 Selected socio-economic indicators	12
Chapter 2: Vision in Action	15
2.1 Overall Provincial Performance on the Expanded Public Works Programme since 2009/10	35
Chapter 3: The resource envelope and financing issues	53
3.1 Impact on PES component shares between 2013 and 2014 MTEF	55
3.2 Revisions to the 2014 equitable share	56
3.3 Estimated revisions to conditional grant baseline allocations for the 2014 MTEF	58
3.4 Summary of estimated provincial own receipts by vote	59
3.5 Estimated Western Cape own receipts by source 2013/14 - 2016/17	61
3.6 Fiscal framework of the Western Cape 2013/14 – 2016/17	62
Chapter 4: Expenditure and infrastructure	65
4.1 Summary of total expenditure for the period 2012/13 to 2016/17	67
4.2 Summary of audited Vote payments as at 31 March 2013	68
4.3 Roads infrastructure: Committed funding in the AFR	73
4.4 City regeneration projects: Committed funding in the AFR	75

Figures

Chapter 1: Economic overview	1
1.1 Western Cape's fastest growing sectors, 2011	5
1.2 Gross Domestic Product Share by Region: 2011	6
1.3 Western Cape real average annual GDP growth across district municipalities, 2000 - 2011	7
Chapter 2: Vision in Action	15
2.1 OneCape 2040 transitions	18

Acronyms

AFR	Asset Finance Reserve
AIDS	Acquired Immune Deficiency Syndrome
ASIDI	Accelerated School Infrastructure Delivery Initiative
BAS	Basic Accounting System
BER	Bureau for Economic Research
BPO	Business Process Outsource
CBD	Central Business District
CCTV	Closed Circuit Television
CGRO	Corporate Governance Review and Outlook
CPI	Consumer Price Index
CWP	Community Work Programme
DBE	Department of Basic Education
DFI	Development Finance Institution
DIP	District Infrastructure Plan
DTPW	Department of Transport and Public Works
ECD	Early Childhood Development
EDP	Economic Development Partnership
EPM	Enterprise Project Management
EPP	Expanded Partnership Programme
EPRE	Estimates of Provincial Revenue and Expenditure
EPWP	Expanded Public Works Programme
FARE	Future of Agriculture in the Rural Economy
FAS	Foetal Alcohol Syndrome
FET	Further Education and Training
GDP	Gross Domestic Product
GDP-R	Gross Domestic Product per Region
GIS	Geographical Information System
HIV	Human Immunodeficiency Virus

HPV	Human Papillomavirus
ICS	Improvement of Conditions of Service
ICT	Information and Communication Technology
ICT	Information Communication Technology
IDMS	Infrastructure Delivery Management System
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
KfW	German Development Bank
LGTAS	Local Government Turnaround Strategy
LNG	Liquified Natural Gas
LOGIS	Logistical Information System
MGRO	Municipal Governance Review and Outlook
MOD	Mass Opportunity and Development
MTEF	Medium Term Expenditure Framework
MVL	Motor Vehicle Licence
NDP	National Development Plan
NHI	National Health Insurance
NPOs	Non-profit Organisations
OSD	Occupational Specific Dispensation
PAY	Premier's Advancement of Youth
PERO	Provincial Economic Review and Outlook
PES	Provincial Equitable Share
PGDS	Provincial Growth and Development Strategy
PHP	People's Housing Process
PIPs	Project Initiation Plans
PPP	Public Private Partnership
PRP	Provincial Regeneration Programme
PSDF	Provincial Skills Development Forum
PSOs	Provincial Strategic Objectives
PTMS	Provincial Transversal Management System
QLFSs	Quarterly Labour Force Surveys
RCC	Rolling Continuation Channel

REF	Risk Equalisation Fund
RIA	Regulatory Impact Assessment
RSEP	Regional Socio-economic Project
SEDA	Small Enterprise Development Agency
SETAs	Sector Education Training Authorities
SGBs	School Governing Bodies
SIZA	Sustainable Initiative of South Africa
SMME	Small Medium and Micro Enterprise
Stats SA	Statistics South Africa
TB	Tuberculosis
U-AMP	User Asset Management Plan
VPUU	Violence Prevention through Urban Upgrade
WC IDMS	Western Cape Infrastructure Delivery Management System
WC MTBPS	Western Cape Medium Term Budget Policy Statement
WCED	Western Cape Education Department
WCG	Western Cape Government
WCIF	Western Cape Infrastructure Framework
WEO	World Economic Outlook
WISP	Western Cape Industrial Symbiosis Project

1

Economic overview

In summary

- The Western Cape economy is expected to grow at an average annual rate of 3.6 per cent between 2013 and 2018.
- The Provincial economic outlook is affected by national and global developments, which includes moderating global growth.
- Competitive advantage in agriculture and agro processing, services and tourism sectors is observed.
- Employment levels remain stagnant at about 1.8 million.
- The Provincial unemployment rate is recorded at 23.4 per cent, which translates into 566 000 unemployed most of whom are youth.
- Education outcomes are improving but are still low by international standards.
- TB, HIV and AIDS, chronic disease and deaths due to trauma are the top causes of mortality in the Province – the so-called quadruple burden of disease.
- Pervasive social ills, such as high levels of crime, substance abuse, abuse of women and children, are affected by and affect the level of economic development.

Introduction

The open nature of the Western Cape economy exposes the Province to the changing global growth dynamics and risks. Recent global events have also highlighted the continuing shift in power, both economically and politically, from West to East and to some extent to the South.

Understanding these dynamics and the impact thereof on the Provincial economy informs the manner in which policy supports the economy in adapting to these changes, whilst promoting inclusive growth. In turn, a holistic understanding of the constraints to inclusive growth, including insight on the spatial dynamics thereof, is essential in informing policies that can work together to strengthen the opportunities for, or ameliorate the impediments to growth.

Developments in the global economy

Developed economies growth improving modestly, while developing economies growth moderates

The global economic recovery path remains uneven, as growth in developed economies improves modestly, while growth in developing economies moderates. Nonetheless, economic growth in developing economies is expected to continue to exceed that of developed economies. The International Monetary Fund (IMF), in its October World Economic Outlook (WEO), forecasts that global growth will slow in 2013 before accelerating somewhat in 2014.

Table 1.1 World economic outlook 2013 – 2014

	2011	2012	Forecast		Difference from July 2013 forecast	
			2013	2014	2013	2014
World output	3.9	3.2	2.9	3.6	-0.3	-0.2
Advanced economies	1.7	1.5	1.2	2.0	0.0	0.0
Emerging and developing economies	6.2	4.9	4.5	5.1	-0.5	-0.4

Source: IMF, *World Economic Outlook, October 2013*

Global growth risks emanate from fragile economic and financial conditions in Eurozone and US monetary policy withdrawal

The risks to the global outlook therefore remain tilted on the downside. Furthermore, the recent fiscal impasse in the US (and the possibility of another political standoff early next year), as well as the gradual withdrawal of expansive monetary policy could also negatively affect global economic growth. The potential financial market volatility that might be associated with the latter would have adverse implications for emerging markets in particular.

Medium term economic outlook for South Africa

In addition to the weak international environment, local supply-side disruptions have also affected economic activity. Production stoppages due to industrial action have affected the manufacturing and mining sectors since mid-2012. This has not only resulted in lower economic growth, but also in more volatile growth.

Going forward, external demand for South African exports should increase as global conditions improve. Moderately higher growth in the developed economies already

contributed to growth in exports accelerating during the first half of 2013. Export growth is forecasted to reach 6.1 per cent for 2013 as a whole, up from 0.1 per cent in 2012 (see Table 1.2). The weaker rand exchange rate should continue to lift the competitiveness of the local manufacturing sector, further supporting export growth. However, import growth is expected to continue to outpace export growth in 2013 and 2014. Consequently, the trade deficit will remain high, which means that the current account deficit will also be elevated. The current account deficit is projected to remain above 6 per cent until 2016.

Household consumption growth is estimated to have moderated from 3.5 per cent in 2012 to 2.5 per cent in 2013. This is mainly as a result of slower growth in nominal disposable income, higher inflation and high levels of household debt. Furthermore, tighter bank lending conditions may result in a slowdown in credit growth, weighing on private consumption. The National Treasury foresees only a mild acceleration in household consumption growth to 3.4 per cent in 2016.

Growth in gross fixed capital formation is forecasted to moderate to 4.1 per cent in 2013, from 5.7 in 2012. While private investment remains under pressure, the expected improvement in global demand and local business confidence, as well as relatively low interest rates should support an acceleration in private investment growth over the medium term.

Overall, the National Treasury expects growth in real Gross Domestic Product (GDP) to moderate to 2.1 per cent in 2013 from 2.5 per cent in 2012. Furthermore, growth is expected to only improve marginally in coming years. Growth in real GDP of 3 per cent is forecasted for 2014, improving to 3.5 per cent in 2016.

However, the Bureau for Economic Research (BER) is slightly more pessimistic about growth prospects in 2013 and 2014, forecasting economic activity to grow by 2 per cent this year and by 2.8 per cent in 2014.

Strained domestic economic growth prospects from 2014

Table 1.2 Macroeconomic projections, 2012 - 2016

Calendar year	Actual	Estimate	Forecast		
	2012	2013	2014	2015	2016
<i>Percentage change unless otherwise indicated</i>					
Final household consumption	3.5	2.5	2.9	3.2	3.4
Final government consumption	4.2	3.4	3.4	3	3.3
Gross fixed capital formation	5.7	4.1	5	5.5	6.3
Gross domestic expenditure	4.1	2.7	3.2	3.4	3.8
Exports	0.1	6.1	5	6.7	7
Imports	6.3	7.3	5.2	6.4	7
Real GDP growth	2.5	2.1	3	3.2	3.5
GDP at current prices (R billion)	3 155.2	3 411.7	3 720.2	4 061.7	4 443.7
CPI inflation	5.7	5.9	5.6	5.4	5.4
Current account balance (% of GDP)	-6.3	-6.5	-6.4	-6.2	-6.1

Source: South African Reserve Bank and National Treasury

Weak exchange rate, risk to inflation outlook

During the third quarter of 2013, consumer inflation breached the 6 per cent upper limit of the South African Reserve Bank's target range. However, the breach was likely temporary and the National Treasury forecasts that the Consumer Price Index (CPI) will remain just below the 6 per cent upper limit for 2013 as a whole. Consumer inflation is expected to decelerate through 2014 to 2016, with an expected moderation in food, petrol and electricity price increases alleviating inflationary pressures somewhat. However, the weak rand exchange rate poses an upside risk to the inflation forecast as a weaker currency increases the cost of imports.

Performance and outlook for the Western Cape economy

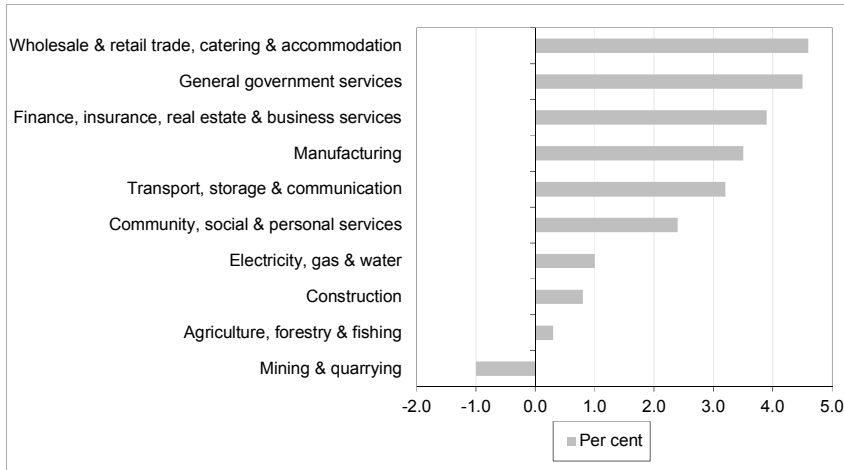
Western Cape economic performance

Economic growth in the Western Cape accelerated to 3.5 per cent in 2011 (at basic prices) from the 2.6 per cent growth recorded in 2010. The fastest growth rate was recorded in the wholesale and retail trade, catering and accommodation sector (see Figure 1.1). The sector grew by 4.6 per cent in 2011, an acceleration from the 3.9 per cent growth recorded in 2010. This was followed by the general government services sector which expanded by 4.5 per cent in 2011 (contributing 0.5 of a percentage point to overall growth).

The main driver of growth in the Province was the finance, insurance, real estate and business services sector. As the Province's largest sector, constituting approximately 32 per cent of total activity, the sector contributed 1.2 percentage points to the overall growth rate and expanded by 3.9 per cent in 2011.

Services sector driving regional economic growth

Figure 1.1 Western Cape's fastest growing sectors, 2011



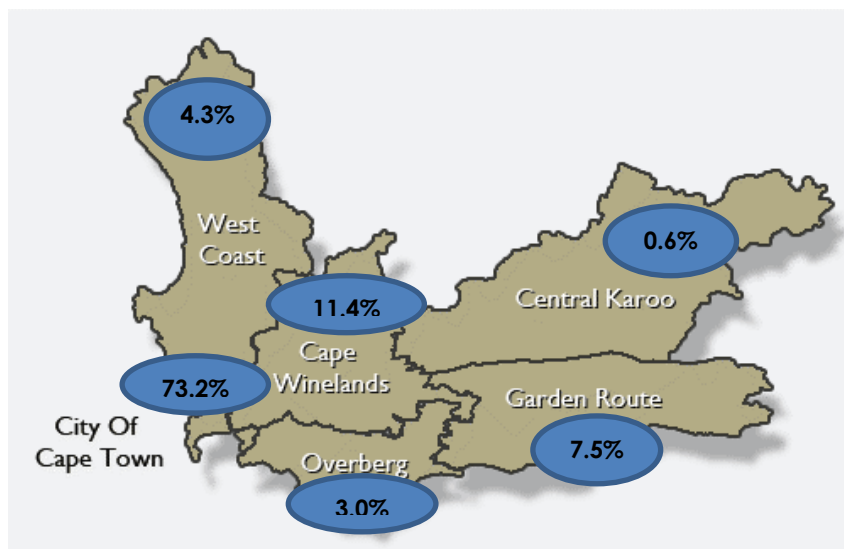
Source: Stats SA

Economic growth in the Western Cape is estimated to have slowed to 2.9 per cent during 2012, in line with the slowdown in national economic activity. The moderation in growth was mainly due to slower growth in the tertiary sector. The mining and quarrying sector, as well as the electricity, gas and water sector probably contracted in 2012. However, as both sectors are relatively small in the Province, the negative contribution to overall growth will be limited.

Spatial aspects of Western Cape economic growth and development

The Western Cape economy is geographically concentrated. Approximately 85 per cent of real value added is generated in the Cape Metropolitan Area and the adjacent Cape Winelands District.

Figure 1.2 Gross Domestic Product Share by Region: 2011



Source: 2013 Provincial Economic Review and Outlook

A spatial analysis revealed that tourism appears to be a sector with a comparative advantage across all districts in the Western Cape. While tourism is a cross-cutting sector in catering & accommodation; transport, business services and retail activities, the districts in which these activities generally have a revealed comparative advantage. The tourism sector is geographically well-dispersed; it is labour intensive, a foreign exchange earner and has close linkages to agriculture and with rural communities.

The importance of agriculture, which also reveals a comparative advantage in all the non-metro districts, is clear. The associated agro-processing sectors also reveal a comparative advantage. Agriculture and agro-processing is competitive, both in a national and an international context.

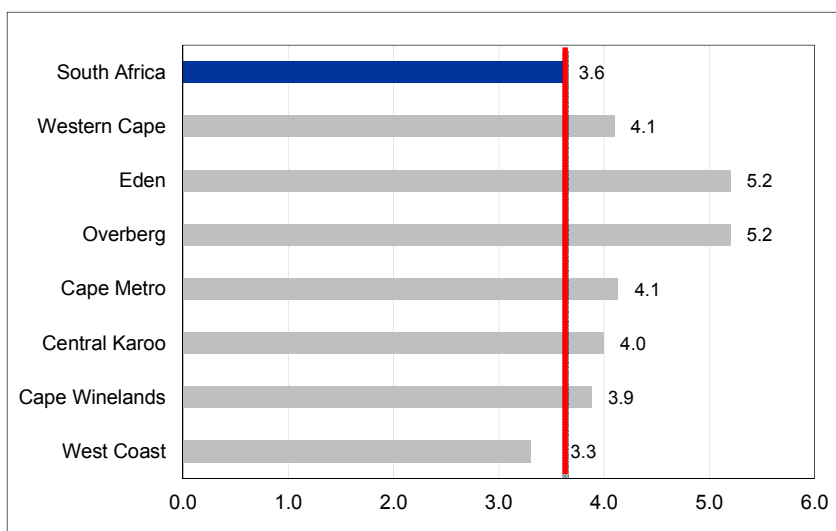
Comparative advantage in tourism, agriculture and services sectors in WC

An interesting observation is the competitiveness of the building & construction sector, suggesting that property development and public sector-driven civil construction works in all districts have shown above-average growth in a national context. This sector plays a key role in the establishment of infrastructure in order to facilitate economic growth and development.

In the Cape Metro, the finance, business process outsourcing and Information and Communication Technology (ICT) sector, as well as the so-called 'knowledge sector' reveal comparative advantage; ICT also features in the Cape Winelands. In the 21st century, innovation and the need to develop the national capabilities in this regard has become important and ties in with

the idea of building a knowledge economy. The idea of a knowledge economy is also strongly linked with the necessity of eco-production and green technologies, while the ICT sector plays a pivotal role.

Figure 1.3 Western Cape real average annual GDP growth across district municipalities, 2000 - 2011



Source: Quantec Research

Western Cape economic outlook

A moderation in economic growth to 2.4 per cent in 2013 is expected. However, growth is anticipated to improve somewhat over the longer term, forecasted to average 3.6 per cent between 2013 and 2018 (see Table 1.3).

Provincial economy to grow by 3.6 per cent on average between 2013 and 2018

Table 1.3 Western Cape economic outlook (year-on-year percentage change), 2013 - 2018

Sector	2013	2014	2015	2016	2017	2018	2013 - 2018 average growth
Agriculture, forestry & fishing	1.9	1.5	1.2	1.5	1.6	1.4	1.5
Mining & quarrying	0.8	1.2	1.4	1.5	1.6	1.5	1.3
Manufacturing	1.6	2.5	2.8	3.1	3.5	3.2	2.8
Electricity, gas & water	0.1	3.1	2.8	2.8	2.7	3.0	2.4
Construction	2.9	4.3	5.3	5.9	6	6.1	5.1
Wholesale & retail trade, catering & accommodation	2.0	2.5	3.2	3.3	3.8	3.7	3.1
Transport, storage & communication	2.8	3.5	4.4	4.6	5.2	5.0	4.3
Finance, insurance, real estate & business services	2.9	4.1	4.6	5.3	5.5	5.2	4.6
Community, social & personal services	2.2	3.0	3.0	3.2	3.3	3.3	3.0
General government services	2.3	2.5	2.5	2.4	2.6	2.6	2.5
Total	2.4	3.2	3.6	4.0	4.3	4.1	3.6

Source: BER/Quantec Research

Tertiary sector remains regional growth engine

The tertiary sector will remain the key driver of economic growth over this period. The finance, insurance, real estate and business services sector in particular, is anticipated to contribute significantly to overall growth. The sector is expected to grow by 4.6 per cent per year (on average) over the forecast period. The fastest growth rate, however, is expected for the construction sector. This sector is forecasted to grow by 5.1 per cent per year, mainly due to continued public infrastructure outlays.

A number of risks to the outlook remain, these include:

- A slower global recovery, particularly in the developed countries, will weigh on growth in the Province due its strong international trade links with these economies. However, this could partially be offset by the weaker exchange rate.
- Weaker than expected employment growth would also constrain growth in the Province. This is especially due to the Province's dependency on the more income sensitive services sector.

Labour market trends

More than one million jobs were lost within less than two years after the fourth quarter of 2008 in the wake of the recession. While output has since recovered to surpass pre-recession levels, the impact on the labour market was significant and long-lasting.

Table 1.4 Labour Market Aggregates, 2008 and 2013

	2008Q1	2013Q1	Change	
	'000	'000	'000	Per cent
Western Cape				
Working age population	3 273	3 559	287	1.7 p.a.
Employment	1 816	1 814	(2)	0.0 p.a.
Narrow unemployment	393	552	159	7.0 p.a. *
Narrow labour force	2 209	2 366	157	1.4 p.a.
Expanded unemployment	438	588	150	6.1 p.a. *
Expanded labour force	2 254	2 402	148	1.3 p.a.
Non-searching unemployed	45	36	(9)	-4.4 p.a.
South Africa				
Working age population	30 963	33 474	2 511	1.6 p.a.
Employment	13 778	13 644	(134)	-0.2 p.a.
Narrow unemployment	4 222	4 604	382	1.7 p.a. †
Narrow labour force	18 000	18 248	248	0.3 p.a.
Expanded unemployment	5 400	6 934	1 534	5.1 p.a. *
Expanded labour force	19 178	20 579	1 400	1.4 p.a. *
Non-searching unemployed	1 179	2 330	1 152	14.6 p.a. *

Note: An asterisk (*) denotes a statistically significant change between 2008 and 2013 at the 95 per cent level of confidence, while a dagger (†) indicates a statistically significant change at the 90 per cent level of confidence.

Source: Own calculations, Statistics South Africa (2008; 2013)

Looking at the last 5 years, observations on the labour market include:

- National employment is slightly lower than five years earlier, while narrow and expanded unemployment have grown significantly.
- Relative to their shares of both the working age population and the labour force, Africans remain under-represented in total and formal sector employment, and over-represented in unemployment. Their rate of unemployment is also considerably higher than the provincial average.
- Young people continue to face significant labour market challenges. The official unemployment rate for 15 to 24 year olds, at 48.8 per cent in 2013, is more than twice the provincial average (23.3 per cent). The rise in the rate of unemployment amongst 15 to 24 years olds is attributable to net job losses for this cohort, rather than growth in the size of the cohort.
- Unemployment of those with incomplete secondary education has grown rapidly over the period, with the number of unemployed matriculants growing at a similar rate.
- In the Western Cape, the formal sector is particularly dominant within employment, accounting for 83.9 per cent of employment compared to 75.2 per cent in South Africa as a whole.
- Two-thirds of provincial formal employment is located in the tertiary sector, with 25.9 per cent in the secondary sector. The largest employment sectors in the provincial formal economy are Community Social and Personal services (21.5 per cent of employment), financial and business services (19.1 per cent), wholesale and retail trade (19 per cent), and manufacturing (17.7 per cent).

High youth unemployment

Two thirds of provincial formal employment located in tertiary sector

These trends point to the urgent need for effective policy interventions aimed not only at encouraging individuals to remain in education to complete grade 12, but also to ensure that more matriculants continue on to further and higher education. For those who have already dropped out prior to completing matric, programmes designed to facilitate either re-entry into secondary education or the transition into further education and training are particularly important.

The most recent data estimates Provincial employment at 1.85 million in the third quarter of 2013 - the highest estimate of

employment since the first quarter of 2012. Nationally, employment is 2.9 per cent higher than a year ago at almost 14.1 million. This is the highest national estimate of employment since the QLFs were introduced, implying that employment has finally recovered to pre-recession levels.

Provincial unemployment rate at 23.4 per cent

The narrow unemployment rate in the Western Cape is 23.4 per cent, which is slightly lower than the national average of 24.7 per cent. However, including the non-searching unemployed amongst the unemployed – i.e. the expanded definition of unemployment – raises the provincial unemployment rate to 24.5 per cent, which is more than eight percentage points lower than the national rate of 32.7 per cent.

Table 1.5 Recent Labour Market Trends, 2012Q3 to 2013Q3

	2012Q3	2012Q4	2013Q1	2013Q2	2013Q3	Change	
						Absolute	Relative
Western Cape							
<i>Aggregates ('000)</i>							
Working age population	3 536	3 550	3 559	3 570	3 575	39	1.1
Employment	1 810	1 830	1 814	1 818	1 852	42	2.3
Narrow unemployment	616	573	552	571	566	-50	-8.1
Narrow labour force	2 426	2 403	2 366	2 389	2 418	-8	-0.3
Expanded unemployment	645	604	588	626	600	-45	-7.0
Expanded labour force	2 456	2 433	2 402	2 444	2 452	-3	-0.1
Non-searching unemployed	29	30	36	55	34	5	15.6
Rates (per cent)							
Narrow unemployment	25.4	23.9	23.3	23.9	23.4	-2.0	
Expanded unemployment	26.3	24.8	24.5	25.6	24.5	-1.8	
Narrow Labour Force Participation Rate	68.6	67.7	66.5	66.9	67.6	-1.0	
Expanded Labour Force Participation Rate	69.4	68.6	67.5	68.5	68.6	-0.8	
South Africa							
<i>Aggregates ('000)</i>							
Working age population	33 253	33 373	33 474	33 585	33 709	456	1.4
Employed	13 678	13 608	13 644	13 750	14 069	390	2.9
Narrow unemployment	4 668	4 503	4 604	4 725	4 610	-58	-1.2
Narrow labour force	18 346	18 111	18 248	18 475	18 679	333	1.8
Expanded unemployment	6 840	6 761	6 934	7 091	6 850	10	0.2
Expanded labour force	20 518	20 369	20 579	20 840	20 919	401	2.0
Non-searching unemployed	2 172	2 258	2 330	2 365	2 240	68	3.1
Rates (per cent)							
Narrow unemployment	25.4	24.9	25.2	25.6	24.7	-0.8	
Expanded unemployment	33.3	33.2	33.7	34.0	32.7	-0.6	
Narrow Labour Force Participation Rate	55.2	54.3	54.5	55.0	55.4	0.2	
Expanded Labour Force Participation Rate	61.7	61.0	61.5	62.1	62.1	0.4	

Source: Own calculations, Quarterly Labour Force Surveys 2012Q3 - 2013Q3 (Statistics South Africa 2012, 2013)

The Province differs from the country as a whole in that it has relatively few non-searching unemployed: just 1.4 per cent of the expanded labour force in the Province is classified as non-searching, compared to 10.7 per cent, nationally. The main reason suggested for this difference is the lack of deep rural areas in the Province when compared with other parts of South Africa. Further, labour force participation rates – the proportion of individuals in the working age population that are part of the labour force – are substantially higher in the Western Cape. In the third quarter of 2013, 68.6 per cent of the working age population form part of the broad labour force in the Western Cape, compared to 62.1 per cent, nationally.

Socio-economic developments

Close causal links exist between economic growth and development on the one hand and the 'quality of life' as measured by a number of socio-economic indicators on the other. Below is a brief update of a set of preselected socio-economic variables.

According to the 2013 mid-year population estimates of Stats SA (2013), the Western Cape population was 6 016 900 (Census 2011: 5 822 735), i.e. 11.4 per cent of the national total. Virtually two-thirds of the provincial population resided in the City of Cape Town; 13.5 per cent in the Cape Winelands and 9.9 per cent in Eden. The Central Karoo, although covering a very large area, is sparsely populated and has a population of barely 51 000, just 1.2 per cent of the provincial population.

Western Cape home to more than 6 million people

Table 1.6 shows that the Western Cape's life expectancy at birth is 70.1 years for females and 64.2 years for males for the period 2011 - 2016. These figures are almost ten years above the female life expectancy in Gauteng. It remains high above the national averages of 61.4 years and 57.7 years for females and males, respectively.

Life expectancy in the Western Cape continues to be heavily influenced by what has been termed the "quadruple burden of disease". Factors associated with high mortality include:

Burden of disease impact on life expectancy

- Diseases related to poverty (e.g. TB and diarrhoea);
- Those typically associated with a more unhealthy lifestyle (e.g. stroke, heart disease, diabetes);
- HIV and AIDS; and
- High levels of deaths due to trauma (e.g. homicides, road accidents, drowning and death from fires).

Table 1.6 Selected socio-economic indicators

	Western Cape	Gauteng	Other provinces	South Africa
Demography				
Population 2011	5 822 735	12 272 263	33 675 563	51 770 564
Population aged 15 - 64, 2011	4 016 702	8 830 724	21 057 054	33 904 480
% of children 0 - 15 living with:				
* Both biological parents	58.7	57.4	41.6	46.0
* Neither biological parent	6.8	7.0	13.0	11.3
* Biological mother, not father	31.7	31.5	43.4	40.2
* Biological father, not mother	2.9	4.1	2.1	2.5
Education & skills				
Adult (20+) population able to read and write, 2008 %	95	96	85	89
7 - 15 year olds not attending school, 2008 %	4.5	4.5	3.7	3.8
% of non-matriculated 16 - 19 year olds not attending school, 2008	32.5	18.4	17.8	19.1
Mean years of schooling of 25 year olds, 2007	10.55	10.91	9.89	10.24
Labour force members without any secondary education, 2008 %	18.9	14.1	27.9	23.7
Labour force members matriculated, 2008 %	35.0	43.1	26.1	31.0
Health and disability				
Life expectancy at birth, 2011 - 2016: Females (years) (2013 for SA figure)	70.1	61.7		61.4
Life expectancy at birth, 2011 - 2016: Males (years) (2013 for SA figure)	64.2	63.3		57.7
% of households who find their health care inadequate, 2011	15.8	18.8	22.6	20.9
% of population who consider themselves to be in poor health, 2008	3.8	4.6	6.7	6.0
% have disability, 2011	13.91	14.25	16.66	15.83
% have severe disability, 2011	7.15	4.63	7.85	7.07

Sources: Own calculations from Stats SA Census 2011 (Supercross version)

Demography: Stats SA Census 2011

2011 population data and fertility rates and life expectancy for 2011 - 2016: Stats SA 2013 mid-year population estimates

Fertility and life expectancy estimates from: Stats SA 2013, mid-year population estimates 2013. Statistical release P0302. Pretoria

2011 health services and other health data: Own calculations, General Household Survey 2011

2007 data: Own calculations, Community Survey 2007

2008 data: Own Calculations, Living Conditions Survey 2008/09

Improving education outcomes, but room for improvement

Despite relatively high educational attainment, the Western Cape experiences a high level of school drop-out between grades 10 and 12, affecting boys more than girls. Education outcomes, as measured by the improved systemic tests scores at Grades 3, 6 and 9, National Senior Certificate passes and reduction in underperforming schools nonetheless show improvement since 2010. Educational quality is still far behind that of developed countries and also lags some developing countries. Weak education quality impedes the attainment of inclusive growth in the Province.

Social challenges continue to affect economic development

The Province is plagued by a number of social problems that in turn are affected by and affect the level of economic development. These include the highest levels of violent crime and housebreaking in the country, and also widespread

alcohol and substance abuse, abuse of women and of children, and high levels of gang activity.

Although HIV prevalence rates are low compared to other provinces, the Province is subject to high TB prevalence and incidence rates, high prevalence of chronic diseases and high injury morbidity and mortality rates, especially injuries due to interpersonal violence. The increasing incidence of non-communicable, or chronic, diseases has placed increasing pressure on the public health system, with large amounts of government resources directed at halting the spread, of and managing persons with, these diseases. Despite this burden, the Province performs well at providing access to healthcare services to its population.

Housing and municipal services are important measures of living conditions and also have important implications for productivity and therefore important for inclusive growth. Since 2001 growth of the housing stock did not keep up with population growth, leading to a rise in informal housing. Most recent data estimates place the housing backlog in the Western Cape at 525 648 units.

Living standards and socio-economic conditions are relatively high by national standards and comparable only to that of Gauteng. Room for improvement however remains when looking at international benchmarks and provincial goals.

Conclusion with implications for budget policy

Inclusive growth

Policies for inclusive growth¹ must be an important component of a government's strategy for sustainable growth. These must be policies that promote broad-based growth with productivity improvements and the creation of employment opportunities. The emphasis is thereby placed on the idea of equality of opportunity in terms of access to markets, resources, and an unbiased regulatory environment for businesses and individuals. The objectives of inclusive growth look toward income generation via employment.

¹ In a World Bank working paper (Ianchovichina and Lundstrom, 2009) inclusive growth is defined as growth that is sustainable because it is "broad-based across sectors and inclusive of a large part of a country's labour force". Inclusive growth refers both to the pace and pattern of growth, which are considered interlinked. The emphasis is thereby placed on the idea of equality of opportunity in terms of access to markets, resources, and an unbiased regulatory environment for businesses and individuals.

Inclusive growth necessarily requires a long term, rather than short term, perspective with the emphasis on improving the productive capacity of individuals and creating an environment conducive for employment.

Budget policy implications

It is clear that creative and innovative growth strategies are required to improve and enable the growth and competitiveness of industries. Evidence suggests a strong measure of lost competitiveness particularly in the region's manufacturing industry. Based on regional comparative advantages, there is scope to 'reindustrialise' the Western Cape economy. For example, the Province has a strong academic and research base, which can play a key catalytic role in developing, designing and commercialising industrial and household green applications.

The spatial dimensions of growth across the Province need to be capitalised on. Given the objective of inclusive growth, agriculture & processing industries in non-metro districts, infrastructure, other light industry and tourism in all districts (including the Cape Metro) are key areas to explore.

As a key enabler or catalyst, there is clear evidence of the positive relationship between well-located infrastructure and economic growth.

In light of the global economic developments and exposure of the Western Cape economy to these developments, expanding existing export markets and exploring new export markets is a key element of sustained growth going forward.

The importance of effective education in poor areas, of certain aspects of public health, such as healthcare access, performance and outcomes, and of housing in informal settlements in a matrix of policies that will promote inclusive growth is highlighted.

Skills development and improving educational outcomes in support of global competitiveness and growth industries thus become critical. Reskilling initiatives could also aid in addressing some of the job losses in the agriculture and manufacturing sector as a result of mechanisation.

2

Vision in Action

In summary

- The 2013 Budget priorities and actions will continue to serve as the basis for constructing the 2014 Western Cape Medium Term Budget Policy Statement (WC MTBPS) and Expenditure Framework.
- The WC MTBPS is aligned to the National Development Plan (NDP) and the OneCape 2040 vision, and is guided by the Provincial Strategic Plan, at the same time informing the basis of a revised Provincial Strategic Plan for the next five year strategic planning cycle.
- The budget policy priorities are guided by these long-term plans for a resilient, inclusive and competitive Western Cape with higher rates of employment producing growing incomes, greater equality and an improved quality of life.
- An increasing emphasis on efficiency, innovation and effectiveness, prioritising technology solutions and spatial developments, in how we deliver goods and services to our clients and achieve greater value for money for them.
- Governance initiatives to build an efficient regional government will be efficiency-driven and will focus on developing the people, systems and processes necessary to deliver services of a consistent high quality.
- A 'whole-of-society' approach that includes partnerships with stakeholders and integration among all programmes and projects are key in giving effect to the policy objectives.
- The overall objective of the WC MTBPS is to promote economic growth, increase employment and decrease unemployment, reduce poverty, crime and other social ills and improve the quality of education and health.

Introduction

The provincial budget policy framework for the next three years builds on the national budget policy framework and is designed to manage risk and maintain stability in a constrained fiscal environment, while continuing to build a foundation for systematic and inclusive economic growth.

Improved infrastructure delivery and maintenance

The key 2014 Budget principles are:

- The current fiscal envelope remains unchanged in real terms with the 2013 MTEF presenting a ceiling for the 2014 Budget, but providing for minor inflation and conditional grant adjustments;
- Carry-through of the 2013 medium term budget policy priorities, including a range of technologically driven transversal projects and a continued emphasis on improved infrastructure delivery and maintenance;
- An increasing emphasis on efficiency, innovation and effectiveness in how we deliver goods and services to our clients and achieve greater value for money for them; and
- Consistency in action and improving governance as a critical element towards delivery of efficient and effective public expenditure.

National and provincial policy environment



The National Development Plan (NDP) provides a long-term framework for improved cooperation amongst the private sector, labour, government and civil society. The plan is to increase the capacity of the economy to grow faster, in order for the country to substantially reduce poverty and inequality.

The plan aims to reduce the cost of living and of doing business, resulting in improved consumer and business confidence, rising levels of private investment and higher growth and employment.

A capable state, working in partnership with an active citizenry

Delivery on the NDP requires a capable state, working in partnership with an active citizenry.

This implies a new approach – one that moves from a passive citizenry receiving services from the state to one that systematically includes the socially and economically excluded, where people are active champions of their own development, and where government works effectively to develop people's capabilities to lead the lives they desire.

The NDP also prioritises a capable and developmental state towards better governance. Government needs to be able to deliver on its plans and strategies to see them being implemented properly. A critical focus area is on making the public service deliver and perform on its objectives.

A critical focus area is to improve public service delivery

Core themes of the National Development Plan

- Creating jobs and opportunities
- Improving education, training and innovation
- Expanding infrastructure
- Transition to a low-carbon economy
- Creating an integrated and inclusive rural economy
- Education outcomes are improving, but are still low by international standards
- TB, HIV and AIDS, chronic disease and deaths due to trauma are the top causes of mortality in the Province – the so-called quadruple burden of disease
- Promoting health
- Providing social protection
- Building safer communities
- Building a capable state

The Western Cape Government (WCG) recognises that government's medium-term plans are framed in the context of a long-term vision and strategy and requires consistent and structural steps and ever improving capable governance to deliver on this.

The NDP emphasises that the only sustainable way to reduce poverty is by creating opportunities for growth and jobs, mainly by improving education outcomes. This insight informs the WCG's vision of an "open, opportunity society for all", which has been translated into the current Provincial Strategic Plan: 2009 - 2014, and OneCape 2040 vision. Going forward, the WCG must demonstrate its resolve to successfully implement its own long-term plan, the OneCape 2040 vision, through its revised Provincial Strategic Plan, departmental strategic plans and annual performance plans and medium-term expenditure plans.

The Provincial Strategic Plan and OneCape 2040 aim to shift resources and energy into the creation of growth and job opportunities without compromising the state's ability to deliver better outcomes in health, education and social development, while refocusing efforts to promote social inclusion with a more evidence-based approach.

The OneCape 2040 aims to create a resilient, inclusive and competitive Western Cape with higher rates of employment producing growing incomes, greater equality and an improved quality of life. This vision is articulated in 6 areas for transition as illustrated below.

Figure 2.1 OneCape 2040 transitions

Educating Cape	<ul style="list-style-type: none"> • Every person will be appropriately educated for opportunity • Centres of ecological, creative science and social innovation
Enterprising Cape	<ul style="list-style-type: none"> • Anyone that wants to be economically active is able to work • Entrepreneurial destinations of choice
Green Cape	<ul style="list-style-type: none"> • Functioning ecosystems working for and with communities • Leader in Green Economy especially energy and water
Connecting Cape	<ul style="list-style-type: none"> • Welcoming, inclusive and integrated communities • Global meeting place and connector with new markets
Living Cape	<ul style="list-style-type: none"> • Liveable, accessible, high-opportunity neighbourhoods & towns • Ranked as one of the greatest places to live in the world
Leading Cape	<ul style="list-style-type: none"> • Ambitious socially responsible leadership at all levels • World-class institutions

Key NDP proposals, as highlighted in the National Medium Term Budget Policy Statement, which the Province has started to implement include:

- Making sustainable investments in competitive economic infrastructure;
- Increasing the pace of job creation, particularly for young job seekers;
- Encouraging the expansion of businesses and the development of new enterprises, including small and medium-sized companies; and
- Transforming human settlements and developing a functioning public transport system.

2014 MTEF provincial budget policy priorities

The budget is an important policy instrument to deliver on Government's mandate and to achieve the objectives of accelerating economic growth and job creation, with the ultimate aim of improving living standards. Economic growth and socio-economic outcomes such as levels of poverty, health and education status affect, and in turn are affected by each other. Economic growth influences these socio-economic outcomes and these outcomes also influence economic growth. Therefore, to address the objectives of increasing economic growth and jobs and improving living standards require a matrix of policies which recognise this interdependence.

Economic growth and socio-economic outcomes affect each other

Policy measures should be aimed at both the supply and demand sides of the economy. Policies should further be aimed at growing the capacity to produce while addressing growth at identified demand components; growth in investment (also in infrastructure); growth in the number of workers employed and improvement in the productivity of capital and labour.

Provinces therefore have an essential role to play in ensuring that the education and training system is responsive and effective in providing the human capital that an evolving and dynamic regional economic system requires. Provinces should also pursue infrastructure development as a specific strategy to overall economic development.

The overall objective of the WC MTBPS is to raise the rate of inclusive and sustainable growth and achieve a better quality of life, with economic and employment opportunities for all.

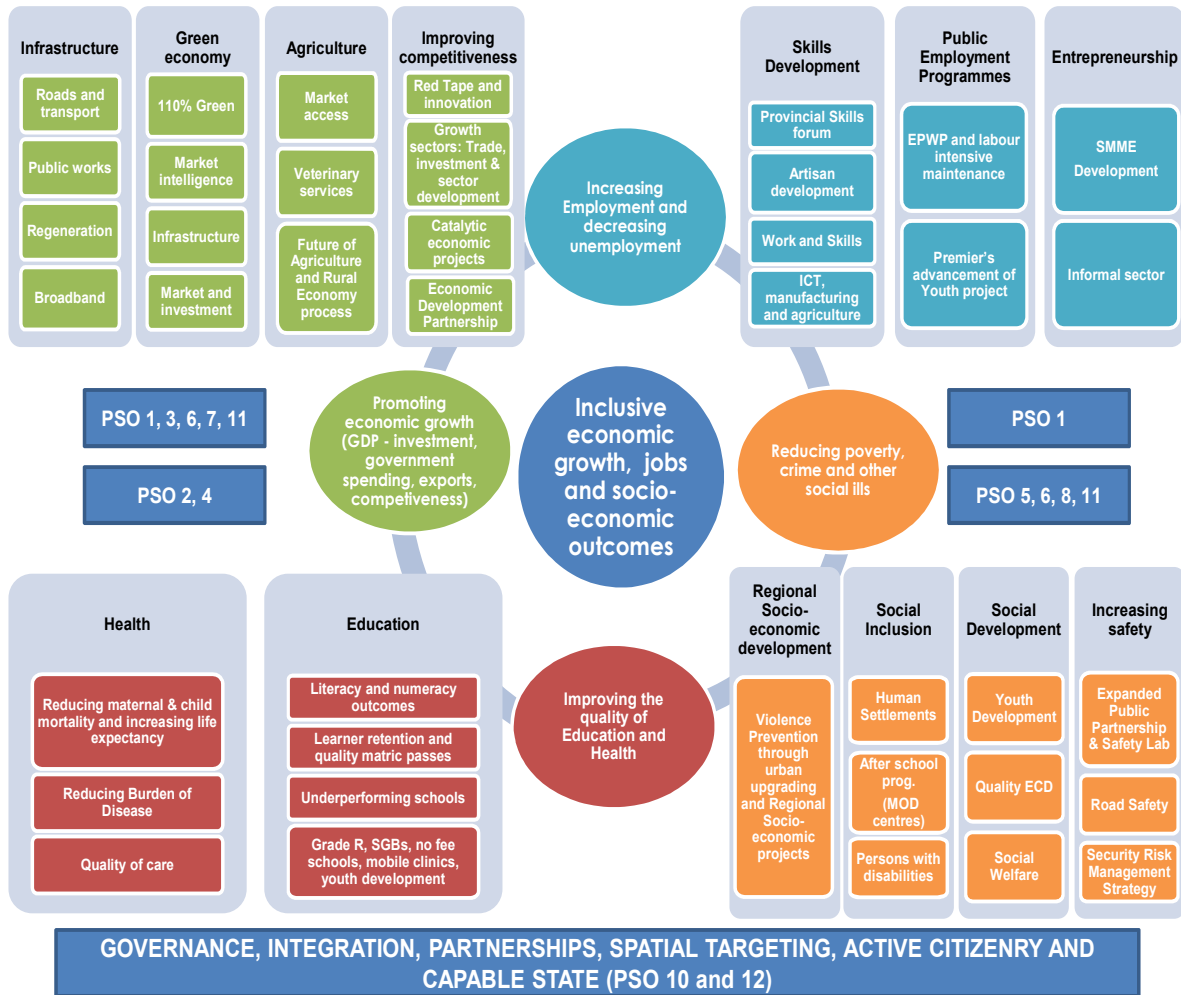
Medium Term Budget Policy Objectives

- Promoting economic growth
- Increasing employment and decreasing unemployment
- Reducing poverty, crime and other social ills (such as those related to violence and road trauma and substance abuse)
- Improving the quality of education and health

Critical success factors underpinning these objectives

- Governance
- Partnerships
- Integration
- Spatial targeting
- Active citizens and a capable state

The WC MTBPS objectives are translated into key elements, initiatives and projects that reflect on how the objectives are to be achieved via government's service delivery mechanisms. These objectives are aligned to the Provincial Strategic Objectives, the "PSOs".



PSOs: 1) Increasing opportunities for growth and jobs; 2) Improving education outcomes; 3) Increasing access to safe and efficient transport; 4) Increasing wellness; 5) Increasing safety; 6) Developing integrated and sustainable human settlements; 7) Mainstreaming sustainability and optimising resource-use efficiency; 8) Promoting social inclusion and reducing poverty; 10) Integrating service delivery for maximum impact; 11) Creating opportunities for growth and development in rural areas; 12) Building the best-run regional government in the world.

Promoting inclusive and sustainable economic growth

Infrastructure

Infrastructure-led growth is a key priority of the WCG and is the cornerstone of a productive society. To grow faster and in a more inclusive manner, the Province needs the right tools to deliver and maintain transport, social and communication infrastructure as well as other catalytic infrastructure investments.

Infrastructure-led growth is the cornerstone of a productive society

The investments in social and economic infrastructure can contribute significantly to the stimulation of activities within the construction industry, via the transmission mechanism of built sector professional service providers, contractors, manufacturers and transport logistic service providers being actively engaged in the construction and maintenance of provincial government projects.

The Western Cape Infrastructure Framework (WCIF) is a long-term cross-sectoral policy framework that will guide resource allocation both spatially, across and within sectors. This framework will ensure that such allocations and the sequencing of the expansion of infrastructure are aligned with the broader growth and development path.

The Western Cape Infrastructure Framework

The Western Cape Infrastructure Framework is intended to align the planning, delivery and management of infrastructure, provided by all stakeholders (national government, provincial government, local government, parastatals and the private sector), to the strategic agenda and vision for the Province.

The objectives of the framework are to:

- Align existing planning processes.
- Outline strategic decisions and trade-offs that need to be made to achieve the provincial OneCape 2040 vision in a complex and changing environment.
- Identify and guide the planning and execution of major infrastructure interventions for the period 2012 - 2040.
- Mobilise and direct new investments.
- Facilitate partnerships and collaboration.

The District Infrastructure Plan (DIP) is a strategically and grounded tactical translation of the Western Cape Infrastructure Framework into region-specific plans within a controllable timeframe, leading the planning of infrastructure projects across all stakeholders.

It is the intention of the DIP to be developed and used by Provincial and District officials across all sectors, but also for stakeholder organisations that are impacted on and/or impact on the delivery of infrastructure.

The process to develop the plans is not intended to supersede or conflict with organisational prioritisation, but is instead intended to complement these parallel processes.

For the 2014/15 financial year, the Province will be developing the DIPs for the Cape Winelands, the West Coast and the Overberg District Municipalities.

Roads and Transport infrastructure

A key role of government in economic development is to provide the basic infrastructure and public services needed to create an attractive environment for both businesses and households. This role includes road and transport infrastructure to connect between and within towns and cities.

The Province is responsible for the planning and provisioning of new and upgraded roads as well as maintaining the existing road network of 32 212 km. Currently, government manages to keep the condition of the road network in a reasonably good state. There is, however, an exponential growth in the number of roads in need of rehabilitation due to being past their planned economic life expectancy.

New roads projects will specifically promote the economic growth initiatives in the Province

A target to reduce the road maintenance backlog by 16 per cent has been set for 2014. The achievement of this target will increase access to safe and efficient integrated transport, which is a strategic priority of the WCG. Projects identified to specifically promote the economic growth initiatives in the Province include the upgrading of the remaining section of Divisional Road 1205, between Gansbaai and Bredasdorp from gravel to surfaced; the upgrade of the Wingfield interchange pre-stressed bridges and improving the road network in support of the Saldanha Bay IDZ and the Port expansion.

Public works

A key infrastructure delivery goal is to adequately deal with the maintenance challenge, inclusive of maintenance backlogs that have been accumulated over a number of years due to a lack of available funding. Additional and better target resourcing to address most of the maintenance requirements of user departments is being prioritised.

Prioritising maintenance is key to infrastructure delivery

A major focus over the next 3 to 5 years is to continue with modernisation of the CBD office buildings and, where feasible, facilities outside the CBD. This programme, which commenced in 2009, will reduce expenditure on leased-in buildings, reduce the under-utilisation and inefficient use of provincially owned-buildings, and reduce the number of buildings, which present health hazards and unpleasant working environments. This involves all WCG office buildings, which are located predominantly in the CBD of Cape Town. The emphasis is on more cost effective management and administrative services as a better working environment supportive of improved productivity and a positive workforce.

The programme has yielded positive results thus far and its further roll out to beyond the CBD is envisaged for selected non-metro towns.

Construction projects relating to education and health infrastructure include several projects such as construction of primary, secondary and specialised schools as well as projects for the expansion of Grade R classrooms for implementation over the 2014 MTEF. Planning for the upgrading of the Emergency centres at Helderberg and Stellenbosch Hospitals commenced and construction will start in the next MTEF period. The replacement of the GF Jooste Hospital also commenced with the feasibility study to be finalised in the current financial year.

Regeneration programme

The Provincial Regeneration Programme (PRP) will continue over the medium to long term. This programme aims to leverage provincial assets as a platform for new growth through attracting new investment; maximising the socio-economic footprint in terms of inner city renewal; bringing about synergy with other projects within the broader inner city precinct, having an added advantage of minimising the burgeoning rental costs for office accommodation.

The Provincial Regeneration Programme aims to leverage provincial assets as a platform for new growth

The Western Cape Government approved six projects in the Regeneration Programme, namely: Founders Garden/Artscape Precinct, Prestwich Precinct, Government Precinct on the corner of Leeuwen and Loop Streets, Somerset Hospital Precinct, Government Garage Precinct and Two Rivers Urban Park Precinct.

The Western Cape Government Broadband Strategy and Implementation Plan

Investment in the development of broadband telecommunications infrastructure will assist the Province to foster greater economic growth in the region, as well as to assist in achieving greater effectiveness and efficiencies in government service management and delivery in the Province.

The Western Cape Government Broadband Strategy and Implementation Plan is aimed at co-ordinating and integrating government action to radically improve the provision of telecommunication infrastructure, skills and usage within the Province. The vision is that of a Western Cape where every citizen in every town and village has access to affordable high speed broadband infrastructure and services, has the

Broadband 2030 vision is for every citizen in every town and village to have access to affordable broadband infrastructure

necessary skills to effectively utilise this infrastructure and is actively utilising this in their day-to-day lives.

The objectives of the Western Cape Broadband strategy and plan include:

- Driving cost efficiency – thereby ensuring that scarce financial resources are utilised for maximum benefit;
- Increasing the effectiveness of government and improving government service delivery to citizens and business; and
- Providing a catalyst for economic and social development.

The Western Cape Government has adopted a 3-stream approach to the implementation of broadband services:

Broadband infrastructure will connect all government buildings

Stream 1 is responsible for driving broadband infrastructure provision within the WCG to a scalable high bandwidth network that connects all provincial government buildings (including schools) through a long-term contract.

The key connectivity targets for connected government (including schools) are as follows:

- 50 per cent completion by December 2014;
- 75 per cent completion by June 2015; and
- 100 per cent completion by December 2015.

Stream 2 is responsible for delivery on a suite of projects to address the Economic Value Added Services that the broadband infrastructure will enable. Stream 2 comprises connected communities, businesses, households, municipalities and leadership.

It is envisaged that some of these components could lend itself to public-private partnerships, if found feasible and cost-beneficial with further analysis. There are a range of proof-of-concept initiatives which will be informing any possible PPP and these include:

- An e-Skills Cloud from which stakeholders, beneficiaries and citizens in the skills eco-system have a platform to share and access information;
- A pilot community-based access centre;
- A community-based ICT entrepreneurship incubator;
- Saldanha Bay Municipality Wi-Fi Mesh;

- An innovation and prototyping centre; and
- Benchmarking studies under the connected leadership drive to improve the intended impact and benefits of the envisaged WCG Broadband initiative.

Stream 3 is an application development stream. This stream includes supportive systems, processes and other applications to run on the above-mentioned broadband infrastructure in order to maximise utilisation and improve efficiency and effectiveness of the provincial government. The implementation of Stream 3 will see a more efficient provincial government, both for internal operations as well as more citizen-facing services using broadband as a major medium for communication and improved services.

Promoting competitiveness in the agricultural sector market access

The Provincial Economic Review and Outlook (PERO) indicates that farm products contributed more than 50 per cent to the value of export growth from the Western Cape over the period 2000 to 2010. In addition, the agriculture and agro-processing sector in the Province is leading the pack of sectors that have national and international comparative advantage. Hence, the Province has been supporting market access initiatives in collaboration with various industries. These include the Sustainable Initiative of South Africa (SIZA) programme to implement ethical trade standards in the fruit industry to maintain the existing traditional markets in Europe.

Support for market access initiatives in the agriculture sector

The financial crises in Europe, the November 2012 farm worker strikes and the ever-increasing non-trade barriers to trade have impacted negatively on the agricultural sector. Market development in new and potential markets locally and abroad (i.e. China, Africa etc.) has therefore become paramount. This includes initiatives for niche opportunities for new products in established markets, e.g. heat-treated ostrich meat in Europe.

Veterinary services are key for agricultural exports

Export control, food safety and veterinary public health capacity are a necessity for maintaining and increasing agricultural exports. A dedicated export control office is to be established in Milnerton, given its proximity and access to the majority of exporting clients and ports (harbour and airport). The export certification process has also been modernised with the introduction of an electronic system. The capacity of the Provincial Veterinary Laboratory is being enhanced and

strengthened to accommodate the requisite testing and monitoring to unlock markets that were previously inaccessible.

The Future of the Agriculture and the Rural Economy project

Following the widespread labour unrest in rural areas of the Western Cape during the last quarter of 2012, the Province, through the Economic Development Partnership (EDP), undertook an objective, impartial and inclusive process resulting in the contextual report "Future of Agriculture in the Rural Economy" (FARE). Based on the recommendations in the report, a common agenda of the most important interventions for immediate implementation will be developed by the stakeholders as the next step in the process.

The following initiatives to strengthen the response to the recommendations made through this process are being taken forward:

Development and support for small holder farming

- (a) Development and support for smallholder farming by strengthening the commodity approach adopted since 2009;
- (b) Support subsistence agriculture through defining mentorship and supporting commodity partners, working with municipalities to enable commonage farming and provide on-going extension and advisory support services using cutting edge technology for monitoring and evaluation;
- (c) Contribute to the success of land reform and associated land use planning through a spatial intelligence project to better inform regional planning; and
- (d) Support the development of farm workers through the actions listed in the 12-point farm worker response plan.

Green economy

The provincial economy is resource intensive, particularly in view of the significant role of agricultural production and related activities. Furthermore, the region's biodiversity and, tied to this, the widespread tourism industry, are key elements of the provincial economy's comparative advantage. While green economic considerations are future oriented, this does not detract from early action improving and protecting the region's comparative advantage and to align the Province's competitiveness with green economy requirements.

The latter strives to improve energy and resource efficiencies given the pressures on the natural environment striving to be in harmony with natural eco-systems to ensure sustainability and resilience.

The stated intention of the WCG to position the Western Cape as Africa's leading green economic hub has placed the green economy at the centre stage of the WCG's economic strategy.

Position the Western Cape as Africa's leading green economic hub

Green Economy Strategic Framework

The Green Economy strategy framework was approved by Cabinet in March 2013. This framework – Green is Smart - provides a rationale for selecting projects and programmes to drive jobs and investment.

Five drivers of the green economy have been identified to achieve the vision of positioning the Western Cape as the lowest carbon province in South Africa and the leading green economic hub of the African continent, namely:

- Smart living and working;
- Smart mobility;
- Smart eco systems;
- Smart agri-production; and
- Smart enterprises.

These drivers are in turn supported by 5 enablers: Infrastructure; capabilities; knowledge management; rules and regulation and finance.

Planned Green economy projects for the 2014 MTEF

Green economy strategic area 1: Market and investment opportunities

- The Western Cape Industrial Symbiosis Project (WISP) aims to connect companies to identify and realise the business opportunities enabled by unused or residual resources. It is based on the UK model which has had huge success in terms of job creation, cost savings and landfill diversion;
- A possible green finance facility to open up investors access to funds and financial institutions (public, private and development finance institutions);
- Implementing the findings from the investment case around the economic contribution of our ecosystem goods & services;
- The Regulatory Impact Assessment (RIA) in the waste sector to provide guidance on how to streamline regulations and rules imposed on businesses within the waste sector;
- The Berg River alien clearing project to investigate economic opportunities associated therewith;

- Investigating mariculture and aquaculture opportunities for market driven private sector opportunities, beneficiation and viable export potential;
- An investment case to be developed to identify green revenue streams in Cape Nature-managed reserves and to create a pipeline of green revenue generation projects to pursue investment; and
- Long-term green procurement project.

Green economy strategic area 2: Green economy intelligence

- An Annual Sustainability and Green Economy report: following the development of a set of green economy indicators in 2013/14; and
- The Annual Investment Mapping project to provide data on investment, job creation, skills requirements and red tape related issues in the following sectors: renewable energy, water, waste, agri-production, eco-tourism and built environment.

Green economy strategic area 3: Infrastructure development

Smart grids for selected municipalities

- Energy: A project is being conceptualised around energy efficiency in municipalities and smart grids for a selected number of municipalities. Furthermore, the Liquefied Natural Gas (LNG) study will continue in 2014/15 inclusive of economic technical feasibility for LNG importation study;
- Waste: Designing a decision support tool to assist municipalities in selecting the most appropriate solution around waste; and
- Agriculture: Developing a cellphone application that will enhance access to information and will lead to improved water use efficiency.

Green economy strategic area 4: 110% Green Programme

- The better living challenge to increase the take up of green housing and interior products in the low income housing market;
- The Genius of Place study to find a solution to water-related problems in informal settlements along the Berg River area;
- A Carbon Neutral project for WCG to lead by example by providing a platform to offset our carbon footprint, while simultaneously alleviating poverty;

- Give Green project to provide a platform whereby the WCG can procure green gifts which creates opportunities for our local crafters and producers; and
- A flagship and communication campaign around food waste and losses in support of international protocol being developed to this effect.

Other initiatives to improve competitiveness

Creating an enabling environment through reducing red tape

Reducing red tape through the established Red Tape Reduction Unit aims to contribute to creating a more enabling environment for business. Through the Red Tape Call Centre (business support helpline), significant progress has been made towards removing bureaucratic blockages (red tape), not only in individual cases but also systemically by influencing departments and municipalities towards making changes that brought about longer-term wide-ranging changes in business-facing procedures and physical infrastructure. Examples include faster processing and approval of building plans at a number of municipalities.

Reducing red tape for a more enabling environment for business

The Red Tape Call Centre initiative will continue to be bolstered by the Municipal Red Tape Reduction Project - geared at specifically assisting municipalities with identifying specific red tape aspects within their regions. During 2012/13 and 2013/14, the guidelines and framework for the institutionalisation of the Regulatory Impact Assessment (RIA) were developed. For 2014/15 the Province is pursuing a mechanism to institutionalise the regulatory impact assessment process of identifying and assessing the expected effects of regulatory proposals.

Support for growth sectors

Trade, investment and sector development

An intense focus at all levels of government on the need for growth and jobs, has put the spotlight on sectoral programmes as a key mechanism of the country to achieve its economic potential. This is reflected in the New Growth Strategy and the Industrial Policy Action Plan (IPAP). A sectoral approach provides the strategic framework for trade and investment, strategic initiatives, small, medium and micro enterprises (SMME) development and for skills.

Employment supporting sectors – clothing and textiles, agro and food processing and creative and design

All sectoral strategies have been updated, with the main changes being an on-going focus on the core sectors. The Western Cape Government will continue its focus on building strategic capabilities in its “propulsive” growth sectors of Business Process Outsource (BPO), Information Communication Technology (ICT) and Oil and Gas, and on the “employment supporting” sectors of clothing and textiles, agro and food processing, and the creative and design sectors as well as the Green economy. The emphasis in programme delivery is shifting to increasing access of firms to new markets (both domestic and international).

Investment promotion strategy targeting Africa

In 2014/15 the investment promotion strategy, which is in line with the Western Cape International Relations Strategy, aims to target key markets and sectors with Africa and Europe remaining key investor markets for the foreseeable future. A key initiative on the export side will be the exporter development programme, support existing iron potential exporters to identify new markets.

Improving competitiveness through infrastructure led economic growth

The objectives of the Cape Catalyst initiative are increased job creation and competitiveness through a demand-led, private sector driven improved enabling environment. Seven projects have been developed to the point of pre-implementation stage, which include:

- Broadband Initiatives
- Saldanha Industrial Development Zone
- The Fringe and Design Park
- Air routes to Africa
- Ports of the Western Cape
- Expansion of the Convention Centre
- Cape Health Technology Park

The Western Cape Economic Development Partnership

The Western Cape Government works in partnership with the Western Cape Economic Development Partnership (EDP), an independent non-profit company driving partnership-building processes in the Province. The EDP seeks to harness the potential found in local and regional government, private and non-profit sectors, labour and communities by identifying and

The Western Cape Economic Development Partnership drives partnership-building in the Province

providing opportunities to work together to improve the local, regional and, hence, the national economy.

Elements of regional economic development on which the EDP bases its regional economic development approach include:

- A public-private economic leadership function that draws in multiple spheres of government, business and institutional leaders and social partners, with clear roles for national government and practical links to economic policies and frameworks;
- An intelligence and evidence system that provides a continuous observatory on economic trends and conditions and performance of the economy leading to regular assessment of interventions;
- A visioning and agenda setting process that leads to both long term thinking and common agendas and shared plans between the parties; and
- The translation of intelligence and vision into strategies, action plans, and tactics that are coherent and consistent and can be operationalised.

Increasing levels of employment (and decreasing unemployment)

Skills Development

The country's economic performance has been less than optimal to absorb new and existing entrants into the labour market. The reasons for this are multifaceted and can in the main be attributed to the inadequacy of our education system to prepare prospective and past labour market entrants for uptake into the economy. In addition, the depressed global economic climate and the inability of public and private sector stakeholders to facilitate the transition from the 'education-to-employment' system.

The situational analysis of the South African population, compiled for the NDP highlights the fact that a significant proportion of our economically active population can be classified as youth and therefore holds profound possibilities for putting our economic growth on a higher trajectory. This is only possible in an environment of higher levels of employment uptake. There is however the current reality of high levels of unemployment and in particular youth unemployment. Disaggregation of unemployment statistics show that almost 70 per cent of the unemployed in the Western Cape are

Skills development initiatives to address actual and future needs

70 per cent of unemployed are youth

classified as youth. This phenomenon is mainly attributed to low education attainment levels, high secondary school drop-out rates, inadequately prepared youth for the world of work and the inability of the economy to absorb these labour market entrants.

Apart from the fact that the economy is unable to absorb new entrants into the work environment at the rate that they become available it has been found that youth have been applied ineffective methods of finding employment, which can partially be attributed to a lack of social networking skills and a lack of support to access training and up-skilling opportunities. This has been exacerbated by the inability, even when employed, by some of the youth have been unable to display an appropriate level of interpersonal interaction to “fit in” and keep employment. This inability is a dilemma further exacerbated by the fact that many of the unemployed youth comes from a multi-generational unemployment situation and therefore unhelpful parental conditioning.

Any particular economic sector will have a changing skills requirement over time. Therefore a skills development initiative has to incorporate a differentiated skills development system, of low, intermediate and high-level skills that is in tune with actual and future needs.

To achieve these objectives, the WCG, together with partners will facilitate and implement a number of skills development initiatives which include:

- Strong stakeholder management, through the Provincial Skills Development Forum and Premier’s Council on Skills to improve planning, coordination and implementation of skills development strategies;
- Efforts to better integrate and improve the synergies across Government (national, provincial and local), public education and skill service providers, non-governmental organisations and other support structures;
- Promote career awareness projects to assist with preparing youth and the unemployed to improve their understanding and readiness to enter into and adjust to the world of work;

- Actively drive the private sector to play a more active role in curriculum development to address perceived disjuncture between, quality of the outputs, theory and practical application of required skills sets;
- Support training opportunities to strengthen the skills base of the unemployed;
- Offer financial support through the co-funding of work internship stipends and bursaries;
- Facilitate a greater uptake of unemployed people within the economy supported by structured employer mentorship programme initiatives, which should form the backbone of any Government and private sector intervention to sustainably address the problems facing unemployed people;
- Pursue a differentiated approach to skills development initiatives taking into account high, intermediate and low skills requirements; and
- Foster a spatial or regional or urban-rural logic approach to the current and future skills requirements.

Structured employer mentorship programme

A number of skills development projects are underway and include the artisan development, work and skills, ICT, tourism and manufacturing skills programmes.

The Artisan Development Programme

The artisan development programme aims to foster the availability of first world standard artisans in the South African economy. The emerging industries in the Western Cape, such as oil and gas, renewable energy, ship building, ship repair, manufacturing and engineering all offer attractive opportunities for skills development and artisan employment. Training expertise can be found in the private sector in those companies that have established their own training programmes to maintain first world standards. The development of existing trainers and artisans to train a new generation of artisans to first world standards will serve the developing industries in supplying more artisans and improving the skills and technology base. Strengthened collaboration between the FET colleges, SETAs, sector bodies and industry to increase the number of appropriately trained and qualified artisans required through academic, supervised practical training programmes and the recognition of prior learning project.

Development of first-world-standard artisans

The Work and Skills Programme

A key response to the entry level and pipeline of skills development in the WCG is articulated through the flagship Work and Skills programme.

This programme aims to skill youth aged 18 – 35 years of age who have completed matric or an equivalent, inclusive of establishing work with learning opportunities for youth in the economic and social sectors.

Partnerships are vital for the sustainability of this programme, with funding leveraged from the Jobs Fund to assist training and placing 1 000 learners in 150 businesses across various regions.

Key Strategic Skills Sector Programmatic Interventions in ICT and Manufacturing

High-skill sectors such as the ICT sector are important drivers in growth and employment. Despite a downturn, manufacturing remains the second largest contributor to employment and provincial GDP. The high labour intensive, relatively less skilled sectors such as tourism and construction remain significant. Skills development initiatives will be pursued in the tool dye and mould-making programme and ICT, and the CAPACITI 1000 Programme (business analysts and programmers) with co-funding from the Jobs Fund. These initiatives focus on the intermediate level and high-end level spectrum of skills training and work placement, driven by industry and are directed at those learners who exit tertiary institutions and Further Education and Training (FET) colleges.

Skills training and work placement

Rural Youth Skills Development Programme

Given the current realities in the agriculture sector, a renewed focus on the skills development interventions within the sector and in rural areas is essential to address the structural adjustments that will take place over the next few years. A move from more labour intensive agricultural production methods to mechanisation will drive the need to strengthen the development of quality technical skills development programmes that would position rural farming areas to becoming more competitive. A project, already underway, brings in rural youth from disadvantaged communities to develop skills responsive to anticipated needs of the agricultural sector.

Public employment programmes

Expanded Public Works Programme – EPWP

Country-wide, the Expanded Public Works Programme created 970 000 work opportunities last year. The programme provides an important avenue for labour absorption and income transfers to poor households in the short to medium-term. It is also a deliberate attempt by public sector bodies to use expenditure on goods and services to create work for the unemployed. Workers are employed on a temporary or on-going basis either by government, by contractors, or by other non-governmental organisations under the ministerial conditions of employment.

*Country-wide 970 000
EPWP work opportunities
in 2012/13*

Table 2.1 below shows the total number of EPWP work opportunities that have been created in the Province since 2009/10.

Table 2.1 Overall Provincial Performance on the Expanded Public Works Programme since 2009/10

Overall Provincial Performance on work opportunities created			
Financial Year	Target	Performance	Percentage over/under performance
2009/10	35 330	49 370	40%
2010/11	40 599	57 784	42%
2011/12	53 461	92 335	73%
2012/13	72 142	109 482	52%
2013/14	94 425	73 102 (Preliminary for 6 months)	
Total	295 958	349 667	

Note: The overall provincial performance on work opportunities created is inclusive of national, provincial and municipal spheres.

Source: NDPW: EPWP Quarterly Report for the period 1 April – 30 June 2013 - 14 (16 August 2013) and DTPW preliminary 2013/14 QPR for the second quarter

Work opportunities have been created in four sectors, namely, infrastructure, non-state, environment & culture and social, through:

- Increasing the labour intensity of government-funded infrastructure projects;
- Through the Non-profit Organisation (NPO) programme and Community Work Programme (CWP);
- In the public environment and culture programmes; and
- In public social programmes.

Some EPWP projects implemented by Provincial Departments

Infrastructure Sector

- Rehabilitation of roads
- Overload control
- Flood damage repairs
- Routine road maintenance and resurfacing
- Building facilities maintenance programme

Environment and Culture Sector

- Alien clearing
- Fencing
- River erosion protection
- Food for waste
- Community Safety and school safety volunteers at high risk schools
- Museum services
- Arts and culture
- Landcare

Social Sector

- Learnerships & ECD Professional assistants
- School gardeners
- Food handlers
- Assistance to artisans
- Pharmacist assistants
- Home and community based carers

The Expanded Public Works Programme has the potential to sustainably support the low-skills-end of the skills spectrum, but if supplemented with a graduated training element it could also provide the required linkages on the skills development continuum, moving from unemployment into meaningful contribution to the economy.

EPWP Phase 3 is underway and amongst others will:

- Improve targeting of participants through community participation;
- Improve the monitoring & evaluation of qualitative aspects; and
- Introduce a greater degree of uniformity and standardisation across the various EPWP Programmes through the introduction of core principles.

Premier's Advancement of Youth (PAY) project

1 000 matrics targeted for experiential learning opportunities in 2014/15

The Premier's Advancement of Youth (PAY) project provides matriculants with 12 months experiential learning within the 13 departments across the entire Province. In 2012/13, 747 matriculants participated in the PAY project and for 2013/14, 678 matriculants have been confirmed to participate in the project. The target for the PAY project will remain a 1 000 for 2014/15 and 2015/16.

Encouraging entrepreneurship

The contribution of entrepreneurs to the economy is acknowledged and thus an essential element in moving from unemployment. This should ideally involve the creation, further development and on-going encouragement of start-up businesses and a growing entrepreneurial culture.

The following **SMME development** programmes and projects will be embarked upon in the 2014/15 financial year:

- Media Awareness Campaign

Lack of awareness with regard to business development support offerings by the public sector has consistently been identified as one of the underlying reasons for the lack of take-up and impact of the support mechanisms put in place by government to enhance entrepreneurship. This project will entail a radio campaign informing small enterprises about public sector programmes and activities in local areas. This will be supplemented by an up to date web page dedicated at disseminating information regarding current events.

- Entrepreneurship Promotion

The entrepreneurship promotion theme aims to recognise entrepreneurial achievement and success. The flagship project for this theme will be the Premier's Recognition Awards. The unit will through a series of regional events (Entrepreneurship Weeks) in the rural areas, promote entrepreneurship. These initiatives will be a collaboration between provincial and local government together with other major stakeholders.

The Premier's Recognition Awards promotes entrepreneurship in the Province

- Innovate Western Cape

This programme is aimed at stimulating innovation, especially amongst the youth. Projects will include business plan competitions in conjunction with tertiary institutions as well as a youth entrepreneurial conference. A concerted effort will be made to actively assist tertiary institutions in promoting entrepreneurship and commercialising innovative ideas.

- Partner Network

Improved co-ordination of and access to enterprise development initiatives and interventions continue to be a main focal point. Partnership agreements with the Small Enterprise Development Agency (SEDA), the West Coast Business Development Centre and The Business Place Philippi, increased the number of access points to business development support across the Western Cape to 21.

Support for the informal sector

The informal sector can and should play a more prominent role in creating jobs in the Western Cape. In other middle income countries, it is a viable alternative to formal employment for those that do not have jobs.

The Province has conducted further research into the sector to discover the stumbling blocks of Western Cape residents exploring opportunities in this sector. The cost and access to finance was rated as the most important constraint; other key constraints include shortages of business premises, cost and access to electricity and water and the lack of specialised equipment. It is critically important that the constraints faced by this sector be addressed and the linkages with the formal sector be strengthened in order to facilitate migration from informal to formal economic activity. This research has been reviewed and a strategy is in the process of being finalised.

Targeting reductions in poverty, crime and other social ills

Regional Socio-economic Project

Restructuring urban areas by supporting the revision of municipal spatial planning and service delivery

The envisioned Regional Socio-economic Project (RSEP) and the already implemented Violence Prevention through Urban Upgrade (VPUU) programmes set out an ambitious programme to transform apartheid planning patterns and assist in restructuring urban areas by supporting the revision of municipal spatial planning and service delivery functions.

The Regional Socio-economic Project is based on the theory of universalism and targeting, network theory and social inclusion tested against various best-practice examples. These concepts are linked to a 'whole-of-society' approach which utilises partnerships across a broad range of stakeholders to achieve positive outcomes. The rationale behind the development of this project is to pilot the implementation of integrated and coordinated government approaches in conjunction with private sector and social sector networks. The selected areas will serve as pilot sites to determine the most effective interventions which achieve the best results in the most cost and time effective manner. These results can then be considered for communities with similar profiles to the pilot areas.

The VPUU programme, established in the Western Cape in 2005, is a collaboration between the City of Cape Town, the German Development Bank (KfW) and the residents of Khayelitsha and other related areas in Cape Town.

Its vision is similarly to build safe and sustainable neighbourhoods by reducing social, cultural, economic and institutional exclusions of low-income areas through quality of life improvement. Together with the RSEP, efforts will be made to better operationalise provincial and national planning policy and guidelines. It includes improvements in infrastructure planning and targeting of investment and service delivery to specific localities to support inclusive growth and development.

Building safe and sustainable neighbourhoods

Five municipalities: Drakenstein, Theewaterskloof, Breede Valley, Saldanha and Swartland have been identified as pilots for the VPUU/RSEP project roll out. Strategic partnerships with provincial and national departments, community, public and private sector participation are important ingredients in making this envisioned project a success. It incorporates the principle of co-funding by municipalities and the Province to ensure full buy-in.

Social Inclusion

Youth Development Strategy

The youth are the heart and future of our economy. Yet, the life chances of many young people are blighted. The problems facing our youth as well as their vulnerability have been well documented and the WCG is in the process of finalising its Youth Development Strategy (YDS), which will be rolled out over the years to come.

The primary goals of this strategy are to give young people a real and imminent sense of possibilities, increase their access to a pool of life chances and to assist them in developing their confidence to carry them through life's challenges as they grow into productive adulthood.

It provides for multiple actions at the individual, family and community level, as well as in the state and non-state sectors, to strengthen the enabling environment, protective factors and to reduce risk factors.

The Youth Development Strategy provides a framework for all stakeholders to work effectively together to increase the rates of transition to successful adulthood. The strategic framework identifies five pillars of action and a series of programmes to achieve the on-going, continuous support required to support young people.

The key pillars of the Youth Development Strategy that will inform initiatives going ahead are:

- Family foundations
- Education and training
- Economic opportunities
- Identity and belonging
- Reconnection

After School Programmes – MOD programme

The Mass participation, Opportunity and access, Development and growth Programme known as the MOD Programme has served as a catalyst to integrate different WCG departments in providing holistic service delivery to communities.

Investment in the lives of school-going children and unemployed youth

The MOD Programme presents a new, innovative, creative and effective approach to investing in the future of our country, which is our human resources, especially our children and out-of-work youth. Government policies, strategies and plans are addressed via the MOD Programme, thus ensuring sound investment in the lives of school-going children and unemployed youth. The intended outcomes range from the inculcation of an ethos of lifelong activity, to the realisation of potential, to the achieving of excellence in and through activities such as sport, arts and culture, to social inclusion, to productive and inclusive citizenship, to redressing the relevant inequalities and inequities, to transformation and to patriotism, as well as to assisting with the promotion of values-based, holistic education.

The MOD programme further aims to create values and other development-based opportunities for school-going youth. The programme currently provides access to structured, after-school recreation, sport and cultural activities (e.g. sport, dance, music, reading and driving lessons). These structured, after-school activities are currently taking place at 181 schools across the Western Cape Province. Since inception in 2010 to the present, the MOD Programme has grown phenomenally in attendance levels, as well as interest levels on the part of participants, coaches, stakeholders and partners.

Providing social welfare services for the vulnerable

Programmes for social welfare, with a focus on children, women, the youth, older persons and victims of substance abuse and violence will continue. A provincial priority is also to ensure that people with disabilities have enhanced access to proper care, quality education and employment.

Prioritising access to proper care, quality education and employment for people with disabilities

Government will focus in particular on early intervention and support programmes targeted at both children with disabilities and their families/parents/care givers with more emphasis on intellectual disability. The Western Cape Government will further focus on providing access to people with disabilities, their families/care givers to residential facilities, community based day care programmes, protective workshops and specialised support services.

The key strategic priorities of the substance abuse, prevention and rehabilitation programme is on awareness, early intervention, statutory services and aftercare support programmes that will be dealt with, in an integrated and coordinated manner with the Departments of Social Development, Education and Health as well as local drug action committees of local authorities.

Foetal Alcohol Syndrome (FAS) education in collaboration with specific strategic partners specialising in the field of FAS will be expanded during the 2014/15 financial year. The treatment of clients and support to substance abuse treatment centres will continue to focus on greater accessibility of services, especially through expansion of outpatient care, aftercare as well as early intervention programmes. It is estimated that approximately 15 300 clients will access substance abuse services provided across the Province.

Expand foetal alcohol syndrome education

Quality Early Childhood Development

Early childhood development (ECD) opportunities for children in the ECD age cohort 0 to 4 years will systematically increase. It is estimated that 80 000 children will be accessing registered early childhood development services by the end of 2014/15. This includes children in centres as well as home and community based services for children that do not have access to formal centres addressing child hunger and children whose well-being and development is at risk.

80 000 children will have access to registered ECD services

Human Settlements

Housing constitutes an integral part of a citizen's living conditions and contributes to personal life opportunities. In 2014/15, the WCG in cooperation with its partners and municipalities will continue to accelerate housing delivery in the Province with specific emphasis on delivery to deserving and qualifying beneficiaries, the timeous release of title deeds and providing affordable housing assistance to the Gap Market. In addition, emphasis will also be placed on the 'rent-to-buy' mechanism in restructuring zones in terms of rental housing and the establishment of fully serviced sites to enable incremental housing to be actioned.

The Western Cape Government will continue to upgrade informal settlements in the Province, particularly those informal settlements along and surrounding the N2.

The utilisation of alternative and energy efficient technology and material as far as possible across the delivery process will also be further promoted.

Intensify the People's Housing Process programme

The People's Housing Process (PHP) programme will be intensified and regularised for SMEs and emerging property developers in the construction industry to broaden the scope for stakeholder participation in housing delivery in the Province. Furthermore job creation and EPWP initiatives will be fully actioned and institutionalized across the entire housing delivery process in the Province.

Increasing safety

A key priority is to increase safety for all the people in the Province by:

- Improving safety through effective oversight of policing;
- Making safety everyone's responsibility;
- Promoting road safety; and
- Optimising safety and security risk management.

Community Policing Forums visit police stations to supply information on civilian oversight

A flagship project is the Expanded Partnership Programme (EPP), involving Community Policing Forums to regularly visit police stations and to supply accurate verifiable information on civilian oversight.

A Safety Lab has been established to identify, stimulate, filter and incubate innovative ideas through identifying and conceptualising opportunities for innovation in safety and security, and developing these concepts in 'demonstration sites'. Priority projects going into the next budget cycle include a Nyanga project to provide alternative activities other than shebeens for youth and a CCTV VISION project which uses CCTV footage from the Cape Town CBD to create awareness about the types of crime.

Responsible road use in the Province remains a challenging environment, illustrated by the growing number of learner and driving licenses issued; an increase in the number of registered vehicles and, most importantly, the high number of traffic crashes.

Improving road safety outcomes remains a major, ongoing objective. The current focus is on further improving effective and efficient law enforcement, professionalism in the traffic policing workforce and influencing road user behaviour through road safety education and awareness.

Road safety education and awareness to influence road user behaviour

The Province's transversal safety & security risk management strategy will inform all future developments in relation to the management of safety and security related risks in the workplace and at provincial facilities. A phased-in implementation approach will be followed over the next three years.

Improving health and education outcomes

Health and Education account for the largest proportion of public spending in the Province – more than 70 per cent.

Education

A good education system is one of the cornerstones of a thriving economy. In 2013, the Province had 968 222 learners in Grades 1 to 12 at 1 462 Public Ordinary and 71 Special Schools across the Province. There are 75 227 learners in Grade R either at public schools or at independent sites. These numbers are steadily increasing.

Enhancing access to quality education is guided by three overarching objectives:

- Continued improvement in literacy and numeracy outcomes;
- Increasing the throughput and improving the retention rate (to Grade 12) as well as the quality of matric passes (i.e. increase in the number of Bachelor passes and maths and science passes); and
- Reducing the number of under-performing schools.

Several other initiatives have been prioritised over the 2014 MTEF to improve access to and the quality of education in the Province. These include:

- Topping up Quintile 4 and 5 schools' norms and standards funding to equalise state spending on all schools and allow over 100 schools to become no fee schools;
- Mobile health clinics to test hearing, eyesight, speech and six year old developmental milestones at schools (a pilot of 5 mobile units in 2014);
- Focused youth development initiatives to provide learners repeating grades 9 and 10 with an alternative education model and providing opportunity for further education and training;
- Increasing the funding to low-fee independent schools in line with the national norms and standards for school funding;
- Ensuring a textbook-rich classroom environment - specifically textbooks for each of four subjects in Grades 1 - 3, reading books for Grades 1 – 3, natural science textbooks for Grades 4 – 6 and literature books for Grade 12; and
- Administering competency tests for all short-listed candidates for principal posts to enhance school management capacity and competence.

The role of school governing bodies (SGBs) and parents need to be strengthened

The role of School Governing Bodies (SGBs) is vital in ensuring parent and community participation in education. With the elections of new SGBs, the training programme for all new appointees is now mandatory. Initiatives to strengthen the roles of parents in the education of their children include the provisioning of meaningful information and communication to parents such as online resources for parents.

A further goal is the strengthening of the quality of the teaching of Grade R learners. To improve Grade 1 outcomes Grade R screening was introduced at schools with large numbers of failures in Grade 1 with the permission of parents. 17 000 learners were screened in 2013 to identify learners who are under achieving and have barriers to learning, those learners who need additional support from the class teacher/learning support teacher and to develop an individualised development plan to address these developmental delays.

Goal to improve the quality of Grade R teaching

Health

In 2012/13, 14.8 million patient contacts at primary health care facilities (clinics) and 2.9 million patient contacts at hospitals in the Province were recorded. Over the 2014 MTEF steps will be taken to continue improving health outcomes (reducing maternal and child mortality and increasing life expectancy), access to and the quality of healthcare. These steps will address the burden of disease in the Province.

Reducing maternal and child mortality and increasing life expectancy are key health outcomes for the Province. Targeted at 90 per 100 000 live births, maternal mortality has declined to 60.2 per 100 000 live births in 2012/13. Similarly, child mortality has declined to 26.6 per 1 000 live births in 2011/12, well below the Provincial target of 30 per 1 000 live birth. While life expectancy in the Western Cape is the highest in South Africa at 70 years for females and 64 years for males, it is still below the life expectancies being achieved in comparable groups of countries. Therefore despite progress in addressing health outcomes, there are still challenges, and further improvements to promote wellness are still a key provincial strategic objective.

Reducing maternal and child mortality and increasing life expectancy are key health outcomes

The quadruple **burden of disease** in the Western Cape that will be addressed consists of:

- Chronic diseases: diabetes, hypertension, heart disease, mental health and others;
- Infectious diseases such as HIV and TB;
- Diseases and health problems that cause infant, child and maternal morbidity and mortality; and
- Injuries and violence, as well as trauma link to traffic accidents.

Wellness centres will increase early detection of risk factors and diseases

A key overarching strategy is on increasing preventive interventions such as immunisation coverage, family planning services and efforts to detect diseases earlier such as screening programmes, cervical smears and blood pressure measurements.

Wellness centres in conjunction with the private sector are being piloted aimed at the 35 - 45 year age cohort from under-resourced communities to increase awareness and knowledge of health risk behaviours/social determinants, to improve access to screening and behaviour modification information, and to increase early detection of risk factors and diseases with referral to appropriate healthcare services. Based on the monitoring and evaluation findings, the wellness centres will be expanded across the Western Cape.

Healthcare 2030, the strategic vision for public health provision in the Western Cape, focusses on delivering a quality patient experience by pursuing a patient centred approach to health care. Focus areas include:

- Strengthening the primary health care platform and the district health system model;
- Strategic partnerships with non-profit and community-based organisations, academia and the private sector, amongst others, and further improvements in the efficiency of healthcare expenditure; and
- The emphasis on improving the quality of healthcare received at public health facilities is further articulated in the core values of caring, competence, accountability, integrity, responsiveness and respect.

Improving quality of health services

The National Department of Health released a Policy Paper on the National Health Insurance (NHI) in South Africa for public comment in 2011. The intention is to phase the NHI in over a fourteen year period. While there is agreement and support for some of the key initiatives in the policy paper such as steps to improve the quality of health services and strengthen district health services in the public sector, the WCG has responded with a proposal based on 'Universal Health for All'. This response stresses the need to strengthen the health system using the current successful Western Cape public sector health delivery system as a model together with increased partnership with the private sector.

In supporting service delivery, services related to human resources, finance and infrastructure, information management and information and communication technology will also receive attention.

Critical factors for success

Critical success factors underpinning the MTBPS objectives:



Governance

The Western Cape Government aims to become one of the best-run regional governments in the world. Amongst others, this includes efficient and transparent institutional governance, management for results as well as effective human resource (people) management and appropriately skilled, accountable and professional personnel.

The Western Cape Government aims to become the best-run regional government in the world

Internal control weaknesses have been identified as the root cause of some of the negative audit outcomes, although decreasing, within provincial departments and entities.

It has underlined the need for an integrated model that pulls together all the underlying elements of internal control to bring about sustainable and cohesive solutions. These areas include:

- Systems (security, continuity, user optimisation, which in turn lead to process efficiency and automating the burden of compliance);
- People (training - development, change management); and
- Process (policy, tools/aides and checklists).

Systems to improve governance

The Western Cape Government strives to improve the way it delivers services to all citizens and to take the required steps to do so. This also includes empowering employees to increase efficiencies and productivity that will ultimately lead to better service delivery.

A set of technological advancements have been identified to improve the provision of government services. This includes an initiative to ensure that projects, performance and data trends can be tracked for measuring results. Accountability to the people who live in this Province will be improved with three integrated electronic systems being developed to underpin the provincial wide monitoring and evaluation system:

- A business intelligence system that provides strategic information and data;
- A system for annual performance plans, quarterly and annual reports to make performance planning and reporting quicker and easier; and
- A project management system.

Electronic systems to improve M & E

An enterprise content management system is also being rolled out to ensure better records management and thereby improve on the efficient access to information and accumulated knowledge, reduction of paper/storage cost and safe guarding of such institutional knowledge.

Broader governance improvement programmes

As an integral part of corporate governance partnerships, the Corporate Governance Review and Outlook (CGRO) and Municipal Governance Review and Outlook (MGRO) initiative and their departmental/municipal bespoke versions that provide an on-going assessment tool of the corporate management capability level of departments and municipalities have been rolled out. The objective is to continuously sophisticate and automate these tools as to provide timely and appropriate recommendations to management on how and where to strengthen corporate systems and processes to control, attain higher levels of governance maturity and procuring.

Other projects include:

- Strategic procurement: an initiative to bring about the necessary innovation and efficiency gains within the highly complicated procurement environment, improve service delivery and raise the knowledge and procuring of procurement practitioners in the Province.
- Roll out and enhancement of systems to improve the management and control of inventory assets, resources and internal user demand and at the same time reduce the compliance burden through automation of multiple control and transaction processes.

Strategic procurement project to improve efficiency

Enhancement of systems to improve management and control of inventory assets

Specific support to municipalities to improve governance

The Local Government Turnaround Strategy (LGTAS) is intended to deliver a responsive, accountable, effective and efficient local government system. Municipalities will be supported with a number of initiatives including:

- Deployment of capacity from a pool of expertise to provide support and advisory services; and
- The implementation of shared services, support on anti-corruption, ward committees; communication strategies; the Municipal Property Rates Act; integrated development planning; and performance management.

Partnerships

The NDP, Provincial Strategic Plan, and OneCape 2040 all take the view that the overriding objective of reducing poverty can only really be achieved through partnerships with other stakeholders outside of the state.

Over the next MTEF period, careful consideration therefore needs to be given to how resources can best be used to unlock 'whole-of-society' approaches to implement the NDP and OneCape 2040 through partnerships.

The Western Cape Government will work in partnership with the other two spheres of government (local and national) to better integrate and coordinate efforts and better success of public sector initiatives and programme delivery. Similarly, partnerships with communities should empower those to take greater responsibility for improving their own and that of their children's destiny.

Partnerships with communities to take responsibility for their own destiny

Integration through the Provincial Transversal Management System (PTMS)

To drive provincial policy coherence, the Provincial Transversal Management System (PTMS) serves as a mechanism to manage policy implementation across provincial government departments and other stakeholders in an integrated manner.

Over the 2014 MTEF, it is envisaged that the PTMS will further facilitate provincial policy discourse, and provide a constructive space for sectoral policy dialogue and implementation. Enhanced policy coherence will enable an improved ability to focus the provincial budget to areas of highest priority.

Citizens active in their own development

The need for active citizenry for democracy and development

The NDP highlights the need for citizens to be active in their own development. Furthermore, an active citizenry and social activism is necessary for democracy and development to flourish. People need to work with government and other institutions to provide opportunities towards improving standards of living for all. Therefore there is a significant and indispensable role for citizens to play in the delivery of public goods and services.

The Western Cape Government has undertaken a behaviour change programme, based on behavioural economic principles. The programme is currently designing and piloting projects in four areas: climate change, healthy lifestyles, after-school programmes, and safety and violence.

Projects include:

- Climate change: Project to reduce electricity use in government buildings in Cape Town CBD.
- Healthy lifestyles: The reduction of inter-generational sexual relations as a way to target HIV transmission and associated health issues and the establishment of a Walk-for-Health interdepartmental competition.
- After-School Programme: To improve attendance in the MOD programme.
- Safety: A set of behavioural interventions to alter the choice set of youth in Nyanga when it comes to deciding their activities on Friday evenings.

Spatial targeting

The impending change to the land use management legislative system will require government to change its approach from being mainly regulatory to becoming more of a facilitating agent.

Implementing change of the land use management legislative system

Although in future the majority of land use management functions will be within the municipal planning mandates and competencies, the Province's future role and functions with regard to the broader land use planning concept requires the provision of the necessary support to the municipal sphere of government. Provincial assistance will enable municipalities to perform their land use planning functions effectively. This support will range from:

- Building capacity to assisting with systems and administration;
- To developing guidelines to assist with the functioning of land use planning tribunals; and
- To the assigning of provincial planners to specific municipalities to assist with the processing and assessment of development applications and with the development of spatial plans.

Provincial planning functions further include the setting, institutionalisation and implementation of the Provincial spatial agenda and assisting municipalities with effective municipal spatial planning that promotes economic growth, resource efficiency, and municipal financial and environmental sustainability.

Effective municipal spatial planning that promotes economic growth

A review of the Provincial Spatial Development Framework (PSDF) of 2009 is currently in the public domain for stakeholder consultation and comment for approval by March 2014. The PSDF mandate requires spatial planning, development coordination, integration and alignment between all spheres of government. It gives spatial expression to the NDP and the provincial development agenda contained in OneCape 2040.

The PSDF will be the one guiding document that provides the spatial logic of spending and investment of Provincial Departments in future so as to capitalise on spatial competitive advantages and to ensure economic efficiencies.

Conclusion

This chapter outlines the objectives of the provincial budget policy over the medium term and the actions taken up in programmes and projects across government departments to deliver on these objectives. To be able to reduce poverty, crime and other social ills, and generally improve standards of living for the citizens in the Western Cape, government aims to promote inclusive economic growth, create jobs and continually improve the quality of education and health.

Since 2009, Government's vision progressed to actions of which some are already implemented and will continue over the medium to long term, hence the theme "Vision in Action". The Western Cape Government however, recognises that government's medium-term plans are framed in the context of a long-term vision and strategy, requiring consistent and structural steps and ever improving capable governance to deliver on this. Therefore a medium to long term focus (3 to more than 5 years) is required to deliver results.

The Western Cape Government actions are all based on governance, integration, partnerships, active citizen participation and the capability of government to address the economic and social needs within our Province. A specific shift in delivery to a targeted spatial focus can achieve the critical mass required to make a difference in the communities government aims to serve.

3

The resource envelope and financing issues

In summary

- The 2014 Fiscal Framework concentrates on the funding of government's policy priorities (as outlined in the NDP, PSOs, etc) and outcomes.
- In addition, the 2014 Fiscal Framework is constrained and is limited effectively within the revenue ceilings as communicated for the 2013 MTEF.
- Departments and Entities consequently have to re-prioritise resources and outputs within the existing baselines and therefore need to improve their efficiency in the use of available resources.
- The reduction of the budget deficit from 4.2 per cent of GDP in 2013/14 to 3 per cent of GDP in 2016/17 would allow the government to free resources to fund new priorities in the future.
- Projected increases to the four main sources of provincial own receipts (Gambling and casino taxes; Health patient fees and Motor vehicle licence fees) are kept modest.
- The 2013/14 adjusted budget is being used to alleviate expenditure pressures by deferring revenue retentions or roll-overs to 2014/15 to create additional fiscal space over the 2014 MTEF.
- Exposure to a volatile global economy puts government expenditure at risk, necessitating the need for a contingency reserve of R27 billion over the 2014 MTEF.

The 2014 Fiscal Framework provides a funding plan that gives effect to government's policy priorities and outcomes as espoused in amongst others: the National Development Plan (NDP), the Provincial Strategic Objectives and the numerous complementary policies and strategies that underpin government actions.

In drafting this funding plan, the message from the national government is clear: departments and entities will have to prioritise resources, intended outputs and outcomes from within existing baselines. This implies that rather than increasing expenditure levels, Government will have to use available resources better.

Reducing the budget deficit over the medium term

Curtailing growth in government expenditure to affordable and sustainable levels, in context of the slow economic recovery post the 2008 global financial crisis, has set the scene for the national 2014 Medium Term Expenditure Framework. This has necessitated Government committing to reduce the budget deficit over the medium term from 4.2 per cent of GDP in 2013/14 to 3 per cent of GDP by 2016/17.

A reduction in government debt levels over the MTEF would create the necessary fiscal space and contribute to freeing up resources to fund new priorities in future years.

There is an appreciation that despite the prospect of improving economic growth and the steadfast intention to bring government expenditure to affordable and sustainable levels, the Country's exposure to the volatility in the global economy remains. It is for this reason that the national budget framework makes provision for a Contingency Reserve of R27 billion over the 2014 MTEF to buffer against unforeseeable claims against the fiscus and provide for future policy considerations.

Provisional Fiscal Framework

The Provincial Budget is funded from three sources: national transfers (provincial equitable share and conditional grants) provincial own receipts and financing from the Asset Financing Reserve.

On average over the 2014 MTEF national transfers are projected to contribute 95.9 per cent to Provincial expenditure, while own receipts are projected to contribute 4.1 per cent and Provincial Revenue Fund Financing (inclusive of the Asset Financing Reserve) less than 0.1 per cent.

Provincial Equitable Share

The Provincial Equitable Share (PES) formula is used to calculate the equitable share allocations among provinces which is largely population driven. The components that rely on population data account for over 60 per cent of the formula. In order to ensure that the PES formula makes use of the most recent Statistics South Africa data, mid-year population estimates are used on an annual basis to update the formula.

The PES formula has been updated with data from the 2013 Mid-year Estimates and 2013 School Realities Survey (SNAP survey). The PES formula updates furthermore include:

- Output data from the health sector including the proportion of the population without medical insurance from the 2011 General Household Survey; and
- Patient load data comprising primary health care visits and visits to tertiary hospitals. The Provinces' health risk-adjusted capitation index is based on updated data from the Risk Equalisation Fund (REF).

Table 3.1 summarises the impact of data updates and indicates the impact on the PES component shares between the 2013 and 2014 MTEF.

Provisional WC share of PES marginally increase over the 2014 MTEF

Table 3.1 Impact on PES component shares between 2013 and 2014 MTEF

Component	Weight	2013 MTEF %	2014 MTEF %	% Variance
Education	48	8.9	9	0.04
Health	27	11.1	11.1	0
Basic	16	11.2	11.4	0.11
Poverty	3	6.1	6.2	0.07
Institutional	5	11.1	11.1	0
Economic Activity	1	14.1	14.1	0
Final Share	100	9.5	9.7	0.2

Minor upward revisions have been made to the Western Cape's share of the Education PES component resulting from statistical changes. The most recent school enrolment statistics indicate an increase in school enrolment for the Western Cape from 1 034 392 in 2012 to 1 048 883 learners in 2013.

The Province's share of the Economic Activity component is based on GDP-R. The Western Cape's GDP-R remained constant at 14.1 per cent due to the fact that updated GDP-R statistics for 2011 will only become available at the end of October 2013.

Table 3.2 shows the calculated preliminary revisions to the Western Cape's Provincial Equitable Share over the 2014 MTEF, including statistical updates, phasing in of the PES, additions to cover the 2013/14 salary adjustments over the MTEF, additions for the regrading of clerical positions, provisions of shelters to victims of gender-based violence and the funding of the Human Papillomavirus (HPV) vaccine in 2016/17.

Table 3.2 Revisions to the 2014 equitable share

R'000	2014/15	2015/16	2016/17	MTEF
2013 MTEF	35 053 572	38 186 186	40 497 987	113 737 745
PES Phase-in	- 220 916	- 470 366	183 697	- 507 585
2014 MTEF	34 832 656	37 715 820	40 681 684	113 230 160
Plus:				
Additional (new money) (in resource allocation)	245 663	419 608	514 264	1 179 535
<i>of which:</i>				
Inflationary Adjustments	240 834	414 695	489 275	1 144 804
Higher than anticipated wage settlement (provincial equitable share formula)	164 961	326 103	385 670	876 734
Regrading of clerks (PES formula)	75 873	88 592	96 408	260 873
OSD for therapists (Education) (PES formula)			7 197	7 197
Policy Priorities funded through the Equitable Share	4 829	4 913	24 989	34 731
Health	-	-	19 991	19 991
Rollout of Human Papillomavirus (HPV) vaccine	-	-	19 991	19 991
Social Development	4 829	4 913	4 998	14 740
Provision of shelter to victims of gender-based (PES formula)	4 829	4 913	4 998	14 740
Revised Baseline	35 078 319	38 135 428	41 195 948	114 409 695

The PES allocation provides for the carry-through costs of the higher-than-anticipated inflationary wage costs. It is estimated that the Western Cape will receive R164.961 million in 2014/15, R326.103 million in 2015/16 and R385.670 million in 2016/17 for this purpose.

In addition funds are also made available for the regrading of the levels of clerical positions which is estimated at R260.874 million over the 2014 MTEF; R75.873 million in 2014/15, R88.592 million in 2015/16 and R96.408 million in 2016/17.

Funding has also been made available which are to be transferred to Non-profit Organisations (NPOs) who provides shelter for victims of gender-based violence. The province is estimated to receive R4.829 million in 2014/15, R4.913 million in 2015/16 and R4.998 million in 2016/17.

Also included in the last year of the 2014 MTEF is an amount of R19.991 million allocated to Health for the Human Papillomavirus vaccine and R7.197 million for Occupational Specific Dispensation (OSD) for Therapists.

Conditional grants for concurrent and associated functions

Conditional grant allocations, disaggregated by province, have as yet not been finalised. This exercise, with input from national departments will only be completed towards the end of this calendar year.

Provincial Treasury therefore estimates what allocations are to be expected for conditional grants to facilitate planning. These estimates are based on changes in the policy context, revision to conditional frameworks; data updates and finally by the historical allocation trends to the Province.

Conditional grant baseline allocations to all provinces have been revised, with significant changes to a number of conditional grants. This includes the Education Infrastructure, Further Education Training Colleges (FET), Provincial Road Maintenance and Human Settlements Development Grants.

A final policy decision on shifting FET Colleges from provincial departments of basic education to the National Department of Higher Education is awaited, effective from 1 April 2014.

A number of disasters have occurred in the Western Cape, Eastern Cape, Limpopo and KwaZulu-Natal. As a result funds have been allocated to these provinces for the repairs and replacement of damaged infrastructure in the 2014 MTEF. The Western Cape is estimated to receive a total of R339.820 million; R276.427 million in 2014/15 and R63.393 million in 2015/16. This funding will be provided as additions to the: Comprehensive Agricultural Support (R188.746 million), Education Infrastructure (R1.195 million), Human Settlements Development Grant (R8.55 million) and Provincial Roads maintenance (R141.329 million).

It is still to be decided whether the funds would flow through the existing conditional grants or whether new conditional grants will be established. It is however preferable to transfer the additional funding to the existing conditional grants, as it will minimise the administrative burden and facilitate the transfer of funds.

An estimated reduction of R102.803 million over the 2014 MTEF for the Education Infrastructure Grant, allocated for repair work on schools and other education facilities, is noted. There are indications that this grant will be reduced by R19.9 million in 2014/15, R44.087 million in 2015/16 and R38.816 million in 2016/17.

Additional funding will be made available through the Public Transport Operations Grant to assist provinces in mitigating the inflationary impact in respect of fuel and labour costs in providing public transport services. The net additional allocation for the Public Transport Operations Grant is estimated at R24.189 million over the 2014 MTEF.

Net additional funds for the Provincial Roads Maintenance Grant is estimated at R87.068 million in 2014/15 and a subsequent reduction of R11.005 million in 2015/16; this amounts to additional funding of R76.063 million over the MTEF.

Table 3.3 Estimated revisions to conditional grant baseline allocations for the 2014 MTEF

R'000	2014/15	2015/16	2016/17	Total MTEF
Revisions to Conditional Grants Baseline	284 610	6 070	9 969	300 649
Agriculture	183 942	4 804	-	188 746
Comprehensive Agricultural Support Grant	183 942	4 804	-	188 746
Education	679	516	-	1 195
Education Infrastructure Grant	679	516	-	1 195
Human Settlements	4 858	3 692	-	8 550
Human Settlements Developments	4 858	3 692	-	8 550
Transport	95 131	-2 942	8 063	76 063
Public Transport Operations Grant	8 063	8 063	8 063	24 189
Provincial Road Maintenance	87 068	-11 005	-	76 063
<i>Of which: Disaster funding</i>	<i>86 948</i>	<i>54 381</i>	<i>-</i>	<i>141 329</i>
Public Works	-	-	1 906	1 906
EPWP	-	-	584	584
Social Sector EPWP	-	-	1 322	1 322
Savings Effect on Provincial Conditional Grants	-38 253	-61 079	-54 028	-153 360
Education	-19 900	-44 087	-38 816	-102 803
Education Infrastructure Grant	-19 900	-44 087	-38 816	-102 803
Human Settlements	-16 801	-15 212	-15 212	-47 225
Human Settlements Developments	-16 801	-15 212	-15 212	-47 225
Public Works	-1 552	-1 780	-	-3 332
EPWP	-1 284	-1 459	-	-2 743
Social Sector EPWP	-268	-321	-	-589
Net Additions To Baselines	246 357	-55 009	-44 059	147 289

Provincial own receipts

Provincial own receipts contribute less than 5 per cent to the 2014 MTEF budget

Provincial own receipts are expected to decrease at an annual average rate of 0.26 per cent over the 2014 MTEF, from an adjusted budget of R2.051 billion in 2013/14 to R2.035 billion in 2016/17.

Table 3.4 shows that the main contributors to provincial own receipts are the Department of Transport and Public Works (Motor vehicle licence fees), Department of Health (Health patient fees) and the Provincial Treasury (Gambling and horseracing taxes).

Table 3.4 Summary of estimated provincial own receipts by vote

Provincial Department R'000	2013/14 Adjusted Budget	2014/15	2015/16	2016/17
		Medium Term Estimate		
Department of the Premier	1 182	653	682	718
Provincial Parliament	52	52	54	57
Provincial Treasury	308 588	308 667	308 750	308 750
Community Safety	2 952	2 952	3 088	3 252
Education	40 830	28 227	29 106	30 648
Health	486 973	480 515	453 933	354 637
Social Development	810	862	915	963
Human Settlements	75 000	60 000	62 760	66 086
Environmental Affairs and Development Planning	1 150	1 200	1 250	1 317
Transport and Public Works	1 077 264	1 110 698	1 150 697	1 211 683
Agriculture	28 091	25 454	25 454	26 803
Economic Development and Tourism	26 887	25 270	27 270	28 715
Cultural Affairs and Sport	1 083	1 261	1 430	1 506
Local Government	50	50	50	50
Total	2 050 912	2 045 861	2 065 439	2 035 185

Motor vehicle licence fees

Motor vehicle licence (MVL) fees are expected to contribute R1.033 billion, or 50.5 per cent of the total provincial own receipts in 2014/15, increasing to R1.064 billion in 2015/16 and R1.120 billion in 2016/17.

Motor vehicle licence fee revenues are expected to increase by an annual average rate of 3.7 per cent over the 2014 MTEF from an Adjusted Budget of R1.005 billion in 2013/14 to R1.120 billion in 2016/17.

Health own receipts

The own receipts of the Department of Health is expected to decline from an estimated R486.973 million in 2013/14 to R354.637 million by 2016/17. This decrease is mainly attributed to the anticipated discontinuation of the Global Fund transfers to the Province by 2016/17.

Most of the own revenue collected by the Department of Health comes from Hospital patient fees which are included under 'sales of goods and services other than capital assets'. Health patient fees are projected to contribute R303.833 million

to the total provincial own receipts in 2014/15, and are anticipated to remain constant over the 2014 MTEF.

Funding from the Global Fund is expected to come to an end in March 2016. The medium estimates relating to Global Fund receipts are estimated to reduce as donations have been decreasing over the last few financial years. In 2014/15 and 2015/16 Global Fund receipts are expected to be R125.878 million and R99.296 million respectively. The decrease in the funding received from the Global Fund is part of the organisations existing strategy as the Department is required to incrementally absorb the components which were previously covered by the Fund.

Casino and horseracing taxes

*Casino taxes contributes
R287 million per annum*

Casino taxes are the third largest contributor to provincial own receipts and are expected to contribute 14 per cent in 2013/14. Casino taxes are projected to remain at about R287 million over the 2014 MTEF. Horseracing taxes are projected to contribute R20 million, or 6.50 per cent, to total gambling revenues in 2013/14 and is expected to remain constant over the 2014 MTEF period.

It is furthermore expected that these projections would be revised upward following the promulgation of the Eighteenth Western Cape Gambling and Racing Amendment Act, introducing an effective 2 per cent flat rate increase on each of the six tax bands.

Liquor licence fees

The Liquor Authority is the responsible public entity for the enforcement of the new provincial Liquor Act as well as the collection of liquor licence fees. Revenue from this source is projected to increase to R25 million in 2014/15, R27 million in 2015/16 and R28.431 million by 2016/17.

Financial transactions in assets and liabilities

Financial transactions in assets and liabilities consists of revenue items such as, 'recovery of previous year's expenditure', loan repayments, staff debt, and unallocated credits. Financial transactions in assets and liabilities are estimated to marginally increase beyond R87 million over the 2014 MTEF period.

Table 3.5 shows provincial own receipt budgets by economic classification for the 2014 MTEF period. The largest contributor to own receipts is Motor vehicle licence (MVL) fees, followed by Hospital patient fees, and Gambling taxes. Together these items are projected to contribute approximately 82.2 per cent on average to total provincial receipts over the 2014 MTEF.

Table 3.5 Estimated Western Cape own receipts by source 2013/14 - 2016/17

Provincial Department R'000	2013/14 Adjusted Budget	2014/15	2015/16	2016/17
		Medium Term Estimate		
Tax receipts	1 335 990	1 365 725	1 398 018	1 455 816
Casino taxes	287 326	287 405	287 488	287 488
Motor vehicle licences	1 004 664	1 033 320	1 063 530	1 119 897
Horseracing taxes	20 000	20 000	20 000	20 000
Other taxes (Liquor licence fees)	24 000	25 000	27 000	28 431
Sales of goods and services other than capital assets	450 815	450 399	460 934	467 855
Transfers received	164 822	143 497	116 915	17 619
Fines, penalties and forfeits	2 375	2 611	2 836	2 974
Interest, dividends and rent on land	3 580	3 582	3 702	3 737
Sales of capital assets	24	24	24	25
Financial transactions in assets and liabilities	93 306	80 023	83 010	87 158
Total provincial own receipts	2 050 912	2 045 861	2 065 439	2 035 185

Financing

To ensure that the Province can sustainably finance future expenditure needs, it is necessary to free up as much resources as possible in the 2013/14 financial year to enable potential funding shortfalls to be absorbed in 2014/15 financial year and beyond.

The 2013/14 adjusted budget process has been used as a base for protecting department's expenditure plans over the 2014 MTEF period. Where possible, decisions regarding roll-over or revenue retention were deferred to the 2014/15 financial year in order to create additional fiscal space over the 2014 MTEF period.

Overall Fiscal Framework

Table 3.6 provides a consolidated position of the provisionally estimated fiscal framework. National transfers (which include Provincial Equitable Share and Conditional Grants) to the Province are calculated as amounting to R44 billion in 2014/15, R47.554 billion in 2015/16 and R51.128 billion in 2016/17; this amounts to a total of R142.682 billion over the 2014 MTEF.

The aggregate net adjustment in the PES baseline is estimated to be R959.882 million, upon comparison of the 2013 and 2014 MTEFs. The additions to the budget in the main provide for the higher than expected inflationary adjustment in public servant salaries.

Conditional grants are estimated to rise to R28.272 billion over the 2014 MTEF; R8.921 billion in 2014/15, R9.419 billion in 2015/16 and R9.932 billion in 2016/17.

Provincial Own receipts amount to R2.046 billion in 2014/15, R2.065 billion in 2015/16 and R2.035 billion in 2016/17 or R6.146 billion over the 2014 MTEF.

Table 3.6 Fiscal framework of the Western Cape 2013/14 – 2016/17

Source R'000	2013/14 Adjusted Budget	2014/15	2015/16	2016/17	Total 2014 MTEF
Transfers from National	41 898 387	43 999 594	47 554 202	51 127 782	142 681 578
Equitable share	32 272 116	35 078 319	38 135 428	41 195 948	114 409 695
Conditional grants	9 626 271	8 921 275	9 418 774	9 931 834	28 271 883
Own receipts	2 050 912	2 045 861	2 065 439	2 035 185	6 146 485
Asset Financing Reserve	175 711	-	-	-	-
PRF Financing	120 148	3 000	3 000		6 000
Total	44 245 158	46 048 455	49 622 641	53 162 967	148 834 063
Percentages					
Transfers from National	94.70%	95.55%	95.83%	96.17%	95.87%
Equitable share	72.94%	76.18%	76.85%	77.49%	76.87%
Conditional grants	21.76%	19.37%	18.98%	18.68%	19.00%
Own receipts	4.64%	4.44%	4.16%	3.83%	4.13%
Asset Financing Reserve	0.40%	0.00%	0.00%	0.00%	0.00%
PRF Financing	0.27%	0.01%	0.01%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%
Changes to baseline 2013 MTEF to 2014 MTEF					
Equitable Share	-	24 747	- 50 759	985 894	959 882
Conditional Grants (estimated)	-	246 357	- 55 009	- 44 059	147 289
Own Receipts	-	- 17 036	- 6 745	- 36 999	- 60 780
Total	-	254 068	- 112 513	904 836	1 046 391

* Estimated calculations

Conclusion and impact on services

The 2014 Fiscal Framework is constrained and is limited effectively within the revenue ceilings as communicated in the 2013 MTEF. The only adjustments provide for inflationary adjustments related to compensation of employees.

The National Government is committed to reduce its fiscal deficit over the medium term, providing a basis for affordable and sustainable government spending moving ahead.

The National Fiscal Framework makes provision for a R27 billion Contingency Reserve over the 2014 MTEF to mitigate against any adverse economic conditions and for policy adjustments.

Conditional Grant and Provincial Equitable Share allocations at this stage is Provincial Treasury projections, based on available information and is meant to assist in planning, further discussion and debate on the Provincial Fiscal Framework, intended spending plans and priorities over the 2014 MTEF.

Projected increases to the four main sources of *provincial* own receipts (Gambling and casino taxes; Health patient fees and Motor vehicle licence fees) are kept modest, given the current economic environment and the concomitant expenditure risks to the relevant departments and entities associated with under or non-collection of provincial own receipts.

4

Expenditure and infrastructure

In summary

- The Medium Term Budget Policy Statement proposes an average annual nominal increase of 5.6 per cent in public spending over the next three years.
- The consolidated framework proposed for the 2014 Budget, provides for total spending of R45.1 billion in 2014/15, R48.9 billion in 2015/16 and R51.5 billion in 2016/17.
- Distribution of resources is in line with the National Development Plan, Provincial Strategic Plan: 2009 - 2014 and OneCape 2040. Health and Education continue to receive the largest allocations, while budgets related to infrastructure grow strongly.

Introduction

Government remains accountable to citizens for decisions taken – at a macro, a community and at an individual level, and as such, transparency is a key part of Government's efficiency agenda in delivering better value for money in public spending.

This Chapter gives an account of how Government intends to manage its expenditure. It provides an update of the Corporate Governance Framework, an overview of provincial expenditure over the medium term; key infrastructure initiatives, expenditure outcomes of the 2012/13 financial year, efficiency in spending as well as 2013/14 spending trends.

Corporate Governance Framework

In the 2013 MTBPS, the Corporate Governance Review and Outlook (CGRO) was introduced as a lever to systematically achieve higher levels of financial governance maturity over the medium to long term. This strategy yielded improved level of financial governance, confirming that the strategy adopted is based on sound principles.

The following endeavours, in close cooperation with departments, have contributed to some of the improvements:

- Continuous support and assistance in the form of training interventions through various fora and periodic bi-lateral engagements;
- A support service to address accounting and audit issues; and
- Data analytics on payment information contributed to improved accuracy and completeness of financial information.

LOGIS: Enables institutions to electronically requisition for goods and services, control and regulate inventory and assets

In all of the above, the importance of systems supporting these initiatives cannot be over-emphasised. The Province will continue to roll out a logistical system (LOGIS) to all institutions ensuring the control and regulation of inventory levels and assets, internal user demand and compliance to legislative requirements.

With the integration between LOGIS and Basic Accounting System (BAS), the opportunity presents itself to create the required structures to more effectively monitor and control expenditure at cost centre level.

Provincial Government Expenditure

Government expenditure can be categorised into *current* and *capital* expenditure. Transfers and subsidies to private institutions or other organs of state are also classified as either current or capital.

Table 4.1 (overleaf) provides Provincial expenditure by economic classification 2012/13 – 2016/17.

Table 4.1 Summary of total expenditure for the period 2012/13 to 2016/17

Economic classification R'000	Audited outcome 2012/13	Adjusted Budget 2013/14	Medium-term estimate			Percentage Average annual growth: 2013/14 - 2016/17
			2014/15	2015/16	2016/17	
Current payments	29 693 159	32 875 866	34 936 807	37 264 838	39 239 874	6.1%
Compensation of employees	21 596 768	23 720 333	25 523 778	27 380 789	28 831 970	6.7%
Goods and services	8 096 382	9 155 529	9 413 005	9 884 024	10 407 877	4.4%
Interest and rent on land	9	4	24	25	27	88.2%
Transfers and subsidies	6 883 321	7 294 711	6 781 875	7 198 214	7 579 719	1.3%
Provinces and municipalities	975 359	1 103 657	1 381 289	1 585 067	1 669 076	14.8%
Departmental agencies and accounts	308 520	331 729	347 327	366 035	385 435	5.1%
Higher education institutions	2 324	5 810	4 135	4 267	4 493	(8.2%)
Foreign governments and international organisations	244	138	141	145	153	3.4%
Public corporations and private enterprises	858 175	922 798	939 585	982 043	1 034 091	3.9%
Non-profit institutions	2 869 538	2 911 503	2 912 992	3 074 888	3 237 857	3.6%
Households	1 869 161	2 019 076	1 196 406	1 185 769	1 248 615	(14.8%)
Payments for capital assets	3 345 891	3 820 630	3 378 830	4 355 070	4 585 889	6.3%
Buildings and other fixed structures	2 751 472	3 072 982	2 922 373	3 901 817	4 108 613	10.2%
Machinery and equipment	553 018	667 109	438 039	433 615	456 596	(11.9%)
Heritage assets	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-
Biological assets	24	-	-	-	-	-
Land and subsoil assets	30 084	59 135	5 355	5 625	5 923	(53.6%)
Software and other intangible assets	11 293	21 404	13 063	14 013	14 756	(11.7%)
Payments for financial assets	25 868	19 927	7 539	7 847	8 263	(25.4%)
Direct charge	31 506	33 535	35 547	37 183	39 154	5.3%
Total economic classification	39 979 745	44 044 669	45 140 598	48 863 151	51 452 898	5.3%

MTEF estimates as per EPRE 2013

FY 2016/17 escalation 5.3%

The consolidated framework proposed for the 2014 Budget provides for total spending of R45.1 billion in 2014/15, R48.9 billion in 2015/16 and R51.5 billion in 2016/17.

Current expenditure is recurring spending on items used in providing a good or service. Some of the major cost drivers of current expenditure are wages and salaries, and consumables such as stationery and medicines. Current expenditure grows at an average nominal rate of 6.1 per cent over the medium term.

Rate of growth (nominal) in provincial capital expenditure picks up over the medium term at 6.3 per cent, with 10.2 per cent growth on buildings and other fixed structures.

Capital expenditure includes spending on immovable assets, such as the construction and rehabilitation of buildings and roads, but excludes capital transfers. Capital expenditure, which has a lasting impact on the economy, is expected to be one of the fastest-growing spending categories over the medium term.

2012/13 Expenditure outcomes and 2013 Adjusted Estimates

Details of the 2012/13 expenditure outcomes for the Province as well as the 2013 Adjusted Estimates are set out in Table 4.2 below.

Table 4.2 Summary of audited Vote payments as at 31 March 2013

Votes R'000	2012/13				2013/14		
	Adjusted Appropriation	Audited outcome	(Over)/ Under	Percentage spent	Annual budget	Adjustment	Adjusted Budget
Department of the Premier	747 981	747 165	816	99.9%	853 843	49 263	903 106
Provincial Parliament	95 727	91 047	4 680	95.1%	102 627	654	103 281
Provincial Treasury	164 962	162 283	2 679	98.4%	446 205	(244 812)	201 393
Community Safety	364 626	360 233	4 393	98.8%	388 589	9 585	398 174
Education	14 360 243	14 288 110	72 133	99.5%	15 601 918	66 867	15 668 785
Health	14 743 832	14 600 857	142 975	99.0%	15 871 676	155 852	16 027 528
Social Development	1 409 712	1 402 227	7 485	99.5%	1 577 602	9 642	1 587 244
Human Settlements	1 987 582	1 987 458	124	100.0%	2 148 631	35 266	2 183 897
Environmental Affairs and Development Planning	377 209	376 880	329	99.9%	421 648	(1 256)	420 392
Transport and Public Works	4 543 113	4 510 843	32 270	99.3%	4 639 226	259 622	4 898 848
Agriculture	560 374	555 633	4 741	99.2%	610 149	5 169	615 318
Economic Development and Tourism	315 585	314 344	1 241	99.6%	389 451	(16 478)	372 973
Cultural Affairs and Sport	392 274	390 550	1 724	99.6%	445 309	9 338	454 647
Local Government	161 108	160 609	499	99.7%	173 289	2 259	175 548
Sub-total	40 224 328	39 948 239	276 089	99.3%	43 670 163	340 971	44 011 134
<i>Direct Charge</i>	<i>31 787</i>	<i>31 506</i>	<i>281</i>	<i>99.1%</i>	<i>33 535</i>		<i>33 535</i>
Total	40 256 115	39 979 745	276 370	99.3%	43 703 698	340 971	44 044 669

Source: Annual Financial Statements 2012/13, Adjusted Estimates 2013/14

In total, spending for the Province in 2012/13 amounted to R39.9 billion or 99.3 per cent of the adjusted budget of R40.3 billion. The 2012/13 under spending amounted to R276.3 million or 0.7 per cent of the total adjusted appropriation.

2013 Adjusted Budget

Similar as in previous financial years, the 2013 Adjusted Estimates lay the basis for the 2014 Medium Term Expenditure Framework (MTEF) and thereby creates a seamless budgeting process. Provision is made for the shifting of funds, allocations from the Asset Finance Reserve (AFR), Provincial Equitable Share (PES) Reserve, Contingency Reserve and to a limited level the Improvement of Conditions of Service (ICS) allocation, 2012/13 roll-over and revenue retention, and technical adjustments to the 2013 Main Budget as tabled.

Below follows a synopsis of adjustments made to the 2013 Main Appropriation.

Infrastructure related expenditure

- R69.8 million (from 2012/13 national conditional grant rollovers) for hospital revitalisation, health infrastructure, technical schools recapitalisation and road maintenance;
- R19.8 million (from national conditional grants) for the repair and replacement of infrastructure damaged by floods;
- From the Asset Finance Reserve (AFR), R86.3 million for City Regeneration and R89.4 million for roads infrastructure;
- R54.03 million from the Provincial Equitable Share (PES) reserve for property acquisition; and
- R92.1 million (Provincial Revenue Fund) for infrastructure related projects, of which R11.5 million from 2012/13 rollover (Parliamentary refurbishment, upgrade of social development facilities and institutions), and R80.6 million from 2012/13 provincial revenue (Social Development facilities, acceleration of housing delivery and roads infrastructure projects).

ICT related projects

- R27.8 million (from Special Projects) to the Department of the Premier for ICT systems; and
- R8.6 million (from Special Projects and ICS) for broadband connectivity related to rural libraries.

Other

- R40.3 million from 2012/13 rollover funds for diverse requirements in Education;
- R8.3 million from Contingency Reserve and 2012/13 Rollover for the Khayelitsha Police Commission of Inquiry;
- R4 million for the Green Economy from the Special Project funding;
- R3 million (from ICS) for the Security Strategy in the Department of Community Safety;
- R2.3 million (from Contingency Reserve) for aerial fire-fighting; and
- R1.2 million (from Contingency Reserve) for the 2014 African Nations Championship (CHAN) soccer tournament.

Special Projects

In the 2013 Main Budget, provision was made for transversal projects (R252.6 million) such as ICT and Broadband, Skills Development, the Green Economy and the Regional Socio-Economic Development Programme in Vote 3: Provincial Treasury, under Sub-programme 2.5: Special Projects.

R47.9 million of the Special Project funds has now been allocated based on Project Initiation Plans (PIPs), ability to spend and spending commitments. The balance of R204.7 million will be allocated over the 2014 MTEF.

Allocations-in-kind

R3 million has been allocated to the Western Cape as allocation-in-kind for emergency medical services during the 2014 African Nations Championship.

Efficiency in spending

Fiscal and economic constraints necessitate efficiency measures which may also impact on service delivery as staff and other input costs need to be brought in line with available resources. Therefore government services are limited in scope and quantity by the available budgets and hence involve trade-offs among competing choices.

Government is reinforcing its commitment to spend in an efficient and effective manner. In order to meet its commitment, the following is noted:

Strategic Sourcing

The Provincial Government over the MTEF will partner with strategic sourcing specialists to:

- Build a comprehensive knowledge base of the procurement spend, the supply base; total cost of ownership and supplier cost and performance;
- Leverage departmental buying power; and
- Identify risks within the procurement environment and take steps to mitigate such risks.

It is envisaged that these initiatives would bring about the necessary efficiency gains within the procurement environment, improve service delivery and heightened the knowledge of procurement practitioners in the Province.

*Strategic Sourcing:
A systematic and fact-
based approach for
optimising an
organisation's supply
base and improving the
overall value proposition*

During the 2014 MTEF, departments and public entities, in support of improved fiscal performance, will continue to strive towards the achievement of greater economy, efficiency, effectiveness and equity across votes and within programmes.

One of the main principles in the 2013 Adjusted Estimates carried through to the 2014 MTEF centres around continued efficiency measures by improving input/output ratios and reducing frills expenditure.

Infrastructure

Health

The Western Cape Department of Health provides services to the public ranging from general health, mental health, primary health, emergency, pharmaceutical supply, to forensic pathology services. These services are rendered from the various facilities at over 470 sites throughout the Province. Capital investments are linked to these services, ensuring effective and efficient health services can be rendered.

Through the User-Asset Management Plan (U-AMP) process the existing stock of facilities and the need for new and replacement facilities is harmonised, also considering the state of facilities as well as accessibility to facilities. This process is guided by the overarching health priorities, informed by the Strategic Service Plan (HealthCare 2030), as well as emerging needs due to change in burden of disease experienced at various levels.

Over the MTEF approximately R3 billion will be invested in health infrastructure. The focus remains on *new* and *replacement* followed by *renovation* and *rehabilitation* projects.

Some of the larger renovation and rehabilitation projects, includes the following:

- Various upgrades to Emergency Centres;
- 72 hour psychiatric assessment units at various hospitals; and
- Valkenberg Hospital Upgrade of historical buildings.

Some of the larger new and replacement projects, can be summarised as follows:

- Replacement of GF Jooste Hospital;
- Tygerberg Hospital Redevelopment;

- Ambulance Stations (De Doorns, Heidelberg); and
- Community Health Centres/Clinics (District Six, Du Noon, Elsie's River, Gugulethu).

Education

Over the MTEF, Education will invest in excess of R2.6 billion in new and replacement of infrastructure and expanding primary and secondary schools.

Education identified the following priority areas for development:

- Use of under-utilised classrooms in existing schools;
- Building new classrooms at existing schools;
- Building new schools;
- Maintenance and repair;
- Provision of Grade R classrooms; and
- Optimisation of the use of hostels.

The Accelerated School Infrastructure Delivery Initiative (ASIDI)

Strategically, the Western Cape Education Department (WCED) plans to step up expenditure on the maintenance of education infrastructure. The national ASIDI programme has added value to the WCED's drive to replace inappropriate schools. The Department of Basic Education (DBE) has committed funding for the replacement of 25 schools (14 in 2013/14 and 11 in 2014/15).

The Geographical Information System (GIS)

The recent census data has been added to the GIS to improve the department's planning capacity. The provision of extra staff has assisted the department to increase its human capacity positively.

The WCED is contributing towards job creation and economic growth via the following programmes:

- Three replacement schools have been completed to date;
- A further three replacement schools will be completed by January 2014;
- 23 Schools in construction of which 14 fall within the ASIDI programme;

- 57 Scheduled maintenance projects completed;
- 70 Scheduled maintenance projects in construction; and
- 36 Schools (over the MTEF) in planning of which 2 of the schools are for learners with special needs.

Roads Infrastructure

The Roads User Asset Management Plan (U-AMP) addresses infrastructure requirements i.e. new and replacement assets; upgrades and additions; rehabilitation, renovations and refurbishments; and maintenance and repairs. A number of projects have been identified, where investment in roads infrastructure is directed to specifically promote the economic growth initiatives in the Province. This investment will encompass various projects as shown in Table 4.3 below.

Table 4.3 Roads infrastructure: Committed funding in the AFR

Projects R'000	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
C1025 Wingfield interchange upgrade - planning phase	3 000		13 000	25 540	28 000				69 540
Construction Phase 1						302 820	632 260	267 965	1 203 045
C975 Road network improvement in support of the Saldanha IDZ and Port Expansion - planning phase	5 000	5 400	10 000	20 500	12 500				53 400
Construction Phase 1				41 800	75 054	21 176			138 030
Construction Phase 2							166 170		166 170
Construction Phase 3								166 710	166 710
C776.3 Gansbaai - Elim upgrade	6 960	84 000	119 000	83 000					292 960
Total	14 960	89 400	142 000	170 840	115 554	323 996	798 430	434 675	2 089 855
2014/15 - 2016/17 (financed)				428 394					

- Project C975: Road Network Improvements (Saldanha Bay IDZ and Port) includes upgrading of the regional freight links between Saldanha Bay and Vredenburg to ensure the success of the Saldanha Bay IDZ project at a total project cost of R524 million for the period 2012/13 to 2019/20.

- Project C776.3: Upgrade of Divisional Road 1205 (between 7.1 km to 34.6 km) from gravel to surface at a total project cost of R292 million for the period 2012/13 to 2015/16. This road will be upgraded from a rural route to a scenic route, which passes through the Elim Valley, linking Gordon's Bay to Cape Agulhas via Hermanus and Bredasdorp.
- Project C1025: Upgrade of the Wingfield Interchange at a total project cost of R1.3 billion for the period 2014/15 to 2019/20. This project will improve the accessibility into Cape Town CBD and Port on both the N1 and N2. However, the replacement of the interchange cannot be undertaken without affecting the adjacent road network and a feasibility study is to be undertaken to investigate the implementation strategies and improvement to the adjacent road network.

Roads infrastructure maintenance also provides opportunities to improve the economic prospects of the Province. Hence, the prioritisation of road maintenance in an attempt to start addressing remaining backlogs. The focal areas include keeping busy roads in good condition but also to improve those that are in a poor and very poor condition, but that have socio-economic significance.

Close to R1.6 billion, over the MTEF, has been directed towards maintenance of roads.

Improving road safety and non-motorised transport infrastructure are key focus areas. This is to reduce road fatalities and encourage usage of non-motorised transport and thus improve accessibility and efficiency of road transport. Furthermore, in support of the EPWP initiative which is to increase job opportunities, labour intensive construction methods and strategies, are being employed.

Provincial Regeneration Programme

The innovative programme aims to release property to the open market with the dual objectives of income generation and urban regeneration. Over the next five years, more than R486 million will be directed to these Regeneration Projects as depicted in Table 4.4 overleaf:

Table 4.4 City regeneration projects: Committed funding in the AFR

Projects R'000	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Artscape Founders Garden Precinct	500	500	9 500	71 000	50 000	22 000		153 000
Somerset Development	1 500	9 150	43 550	44 312	39 500	15 000		151 512
Government Head Office Precinct	8 528	5 623	3 200	950				9 773
Prestwich Precinct	500	3 600	26 150	7 750				37 500
Government Garage Precinct		67 038	24 600	11 100	7 500			110 238
TRUP Precinct		400	9 700	6 034	7 000			23 134
Total	11 028	86 311	116 700	141 146	104 000	37 000		485 157

Projects include amongst others:

- Government Head Office Precinct: The project forms part of a much larger initiative to upgrade (modernise) offices in the Wale Street complex. The specific project in this programme focuses on the construction of a 22 000 m² office building through a Public Private Partnership (PPP), in doing so move away from the reliance on leased space to owned accommodation and achieving value for money.
- Government Garage Precinct: Four properties form part of this development. The first release is that of city block utilised for covered parking. Enabling work consists of relocating these facilities to a new site in Maitland.

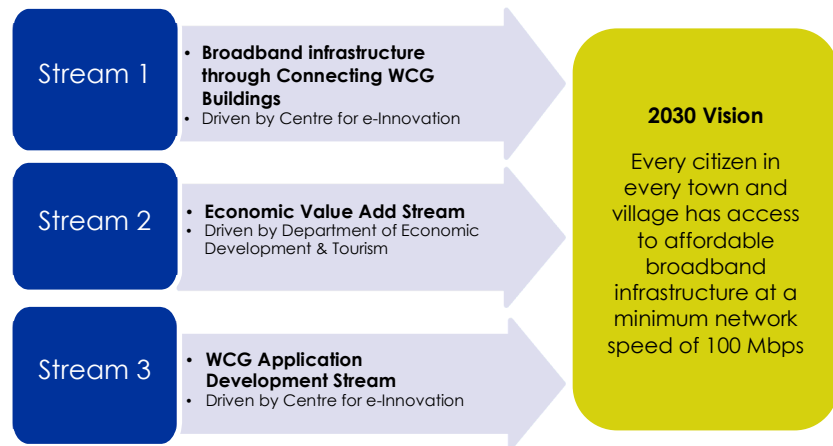
Broadband

The Western Cape Government Broadband Strategy and Implementation Plan aims at co-ordinating and integrating Government action to radically improve the provision of telecommunication infrastructure, skills and usage within the Province.

The objectives of the Western Cape Broadband strategy and plan include:

- Driving cost efficiency – thereby ensuring that scarce financial resources are utilised for maximum benefit.
- Increasing the effectiveness of government and improving Government service delivery to citizens and business.
- Providing a catalyst for economic and social development.

A 3-stream approach to the implementation of Broadband was adopted, leveraging the full capacity of all relevant departments to ensure that provincial and local government harness the full benefits from having robust broadband infrastructure.



Institutionalisation of the Infrastructure Delivery Management System (IDMS)

IDMS: The model that describes the processes that make up public sector infrastructure management, mainly applied to the construction industry

Momentum has been gained, and progress made in 2013 towards the establishment and implementation of the Western Cape Infrastructure Delivery Management System (IDMS) in various Provincial Government departments (mainly in the education and health sectors) – the ultimate purpose of which is to institutionalise standardised good practice methodologies, tools and systems in order to ensure the effective and efficient delivery and maintenance of infrastructure in the Province. Particular focus in 2013 has been on:

- Improving infrastructure project and procurement planning and budgeting in preparation of the 2014/15 MTEF;
- Implementing a Compliance Acceleration Plan - a key aspect of which is the preparation of Standard Operating Procedures - to ensure compliance with Provincial Treasury Instructions 16B, and the associated Standards, by the end of the 2013/14 financial year;
- Training key staff in the application of the IDMS and related tools and practices; and
- Capacitating departments – primarily Education and Health - through the establishment of appropriate organisational structures and staffing.

Notwithstanding the above, there is yet some way to go towards fully institutionalising the IDMS in all departments, and for the impact thereof to be fully realised. To this end, it will be necessary in 2014, and beyond, to focus on, inter alia:

- Ensuring increased rigour in institutionalising the IDMS in, and providing assistance to, the other departments – in addition to Education, Health and Public Works;

- Continuing capacitating departments, with particular emphasis on addressing lack of capacity at critical points along the infrastructure delivery value chain, and furthermore, ensuring that the department of Transport and Public Works in particular, as the primary Implementer and Custodian of infrastructure in the Province, is appropriately structured and resourced;
- Providing on-going training and hands-on support to those officials responsible for implementing the IDMS, and for introducing related new and "untested" strategies, practices and methods;
- Institutionalising and embedding the application of key Standard Operating Procedures;
- Formulating and implementing strategies to accelerate improved infrastructure delivery by addressing the critical weaknesses and problem areas identified in the delivery chain;
- Establishing and implementing the Province's Enterprise Project Management (EPM) system, specifically designed for the management of infrastructure delivery, which underpins the WC IDMS, and which interfaces with other systems as necessary; and
- Improving the planning and coordination across all spheres of Government towards increased integration and focus of infrastructure investment and service provision in achieving the key goals of the PGDS and PSDF.

Conclusion

Given the current fiscal and economic environment, there is a need for departments to continue with improving spending plans to fulfill their core mandates and respond to the citizenry of the Western Cape's most pressing needs.

Glossary

Accelerated Schools Infrastructure Development Initiative (ASIDI) programme	A programme to build schools across the country, with a large focus on replacing so-called inappropriate structures, especially mud schools.
Adjusted Estimates	Presentation to Parliament of the amendments to be made to the appropriations voted in the main budget for the year.
Baseline	The initial allocations used during the budget process, derived from the previous year's forward estimates.
Basic prices	Basic prices is the measure of Gross Domestic Product that does not take into account the value of taxes levied and subsidies received on production.
Budget policy	Budget policy is the means by which government directs and adjusts its overall and differentiated levels of spending in order to foster and influence a region economy and social welfare.
Burden of disease	Refers to the nature and drivers of the causes of mortality and morbidity.
Comparative advantage	The ability of a country or region to produce a particular good or service at a lower marginal and opportunity cost than another.
Conditional Grants	Allocations of money from one sphere of government to another, conditional on certain services being delivered or on compliance with specified requirements.
Consumer Price Index (CPI)	The main measure of inflation, charting the price movements of a basket of consumer goods and services.
Contingency Reserve	An amount set aside, but not allocated in advance, to accommodate changes to the economic environment and to meet unforeseen spending pressures.

Countercyclical fiscal policy	Policy that has the opposite effect on economic activity to that caused by the business cycle, such as slowing spending growth in a boom period and accelerating spending in a recession.
Current account (of the balance of payments)	The difference between total exports and total imports, also taking into account service payments and receipts, interest, dividends and transfers. The current account can be in deficit or surplus.
Division of revenue	The allocation of funds between the spheres of government as required by the Constitution.
Financial year	The 12 months according to which companies and organisations budget and account.
Fiscal framework/envelope	A framework for integrating fiscal policy and budgeting over the medium-term by linking a system of aggregate fiscal forecasting to a disciplined process of maintaining detailed medium-term budget estimates by ministries reflecting existing government policies.
Fiscal policy	Policy on taxation, spending and borrowing by government.
Fiscal space	The ability of a government's budget to provide additional programme resources without jeopardising fiscal sustainability.
Geographical Information System (GIS)	A geographic information system (GIS) integrates hardware, software, and data for capturing, managing, analysing, and displaying all forms of geographically referenced information.
Gross domestic product (GDP)	A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services produced outside the market economy.
Industrial development zone	Designated sites linked to an international air or sea port, supported by incentives to encourage investment in export-oriented manufacturing and job creation.
Inflation	An increase in the general level of prices.
Labour force	Number of employed and unemployed individuals of working age.

Medium-term expenditure framework (MTEF)	The three-year spending plans of national and provincial governments published at the time of the Budget.
Narrow unemployment rate	Rate of unemployment that does not take into account the discouraged employment seekers from the labour force.
National budget	The projected revenue and expenditure that flow through the National Revenue Fund. It does not include spending by provinces or local government from their own revenues.
Non-searching unemployed	Individuals who want to work and are available to work, but who are not actively looking for work.
Provincial Equitable Share	The allocation of nationally raised revenue to provincial government as required by the Constitution.
Provincial own receipts	Refers to taxes/fees and/or user charges, which a provincial department receives.
Public entities	Companies, agencies, funds and accounts that are fully or partly owned by government or public authorities and are regulated by law.
Public Private Partnership	A contractual arrangement in which a private party performs part of a government function and assumes the associated risks. In return, the private party receives a fee based on predefined performance criteria.
Real interest rate	The level of interest after taking account of inflation.
Recession	Decline of Gross Domestic Product for two or more consecutive quarters.
Seasonally adjusted and annualised	The process of removing the seasonal volatility (monthly or quarterly) from a time series. This provides a measure of the underlying trend in the data. Annualised: to express a rate as if it were applied over one year.
Working age population	Individuals aged between 15 and 65.